Date of Meeting: July 18, 2019

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BOARD OF SUPERVISORS
BUSINESS MEETING
ACTION ITEM

SUBJECT: **FINANCE/GOVERNMENT OPERATIONS AND ECONOMIC DEVELOPMENT COMMITTEE REPORT: Recommended Improvements to Affordable Multi-Family Housing Loan Program Guidelines**

ELECTION DISTRICT(S): Countywide

CRITICAL ACTION DATE: July 31, 2019

STAFF CONTACTS: Sarah Coyle Etro, Family Services
Glenda Blake, Family Services
Janet Romanchyk, Finance and Procurement

PURPOSE: The purpose of this item is for the Board of Supervisors (Board) to consider policy options and technical revisions to the Affordable Multi-Family Housing Loan Program (Program). The Program assists multi-family affordable housing developers in financing the development of affordable rental units and is funded from the County of Loudoun Housing Trust.

RECOMMENDATIONS:

Finance/Government Operations and Economic Development Committee (FGOEDC): At the FGOEDC meeting on July 9, 2019, the FGOEDC recommended (5-0) that the Board provide policy direction for the Program and adopt technical revisions to the Program Guidelines and Scoring Criteria.

Policy recommendations include:

- Increasing flexibility related to the per unit cost maximums; the loan amount should be based on the demonstrated gap financing needed for the loan and the availability of funding in the Program, and the level at which the proposed project meets County affordable housing needs as identified through the Scoring Criteria
- Increasing flexibility to negotiate repayment terms, including interest rate, for each application
- Continuing to use the Scoring Criteria to address County housing needs through the Program

Technical recommendations include:

- Clarifying the minimum affordability period

- Providing flexibility in coordinating with applicants
- Making technical changes to the Program guidelines to clarify the loan application process and the required materials to be provided in the loan application process
- Adding an application affidavit
- Allowing technical non-material changes to loan terms with County Administrator approval

Staff: Staff concurs with the FGOEDC recommendation.

BACKGROUND: At the February 21, 2019[1] Board Business Meeting, the Board directed staff to review the Affordable Multi-Family Housing Loan Program application review process and return to a future FGOEDC meeting to discuss recommendations for program improvement, including a potential formula that will take into account the value of unit types, length of affordability, and types of services offered in the development.

On July 3, 2018[2], the Board approved the Affordable Multi-Family Housing Loan Program Guidelines (Guidelines) and the application review process for considering loans. The goal of the Program is to enable developers of affordable rental apartments seeking financing through the Virginia Housing Development Authority (VHDA) Low-Income Housing Tax Credit (LIHTC) or the U.S. Department of Housing and Urban Development (HUD) 221(d)(4) Affordable program, to borrow money from the Trust to help bridge the funding gap for below-market multi-family rental projects, and to help bring LIHTC and HUD 221(d)(4) investment and these projects to the County to meet the affordable housing need of County citizens and the workforce.

The LIHTC is the primary federal financing tool used by the private sector for the development of below-market multi-family rental housing. Securing a County loan is a key component of a LIHTC application financing structure because this early commitment of local funds provides favorable points to the 9 percent LIHTC application and provides low interest rate financing to support the viability of the project. Loans within the Program will be paid back with interest and then the proceeds may be re-loaned to other worthwhile projects. Attachment 1 provides information about how the LIHTC program works and why it is valuable to the development of affordable housing in Loudoun County.

Pursuant to the Board's direction, the staff took the following steps:

1. Met as an interdepartmental staff team to debrief on the FY 2019 application review process and discuss needs and ideas for Program improvement;

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[1] February 21, 2019, Board Business Meeting Action Report

[2] July 3, 2018, Board Business Meeting Item 7a, FGOEDC Report: Draft Affordable Multi-family Housing Loan Program Guidelines and Process

2. Met on May 16, 2019 with affordable housing developers (Attendees listed in Attachment 2) in a focus group to hear their ideas and obtained feedback for the FY 2020 loan review process.

In response to the Board's direction, staff developed revisions to address the concerns identified by the Board and stakeholders during the first year of the application process. Staff is not recommending a formula-based approach to funding through the Program. Affordable multi-family housing developments are all different because building approaches, materials, location, rent levels and mix of financing sources vary greatly from one development to another. Based on staff research, experience, and analysis of approaches used in other jurisdictions as well as VHDA, staff proposes to continue to use a uniform set of criteria to evaluate applications. However, staff are bringing policy options for the Board to consider related to funding per unit, repayment structure and interest rate, and the identification of annual priorities. Additionally, staff recommend technical changes to the Guidelines (Attachment 3). The report is organized into two sections to include 1) policy options related to funding and repayment structures and 2) rationale for some technical edits, clarifications, and additions to the adopted Guidelines. For each policy option, background information about the issue is provided to set the context, along with advantages and disadvantages of each approach and staff's recommended approach. The options are not necessarily all-inclusive, and the Board may devise other options to consider as a result of discussion.

POLICY OPTIONS

ISSUE 1: Should a specific per unit funding amount be established?

Background:
Per the adopted Guidelines, the loan amount is based on the number of units provided in excess of the Affordable Dwelling Unit (ADU) requirements of Article 7 of the Zoning Ordinance, at a maximum rate of $30,000 per affordable unit, contingent on the demonstrated gap financing needed for the project and the availability of money in the Program. For affordable rental housing projects that offer units benefitting households with incomes at 50 percent Area Median Income (AMI) or less, the Guidelines allow a rate per unit in excess of $30,000 at the Board's discretion, depending upon the demonstrated funding gap and Program funding availability. There is no guarantee of financing by the County; the County could finance lesser amounts than requested in the loan applications.

During the FY 2019 funding cycle, the County received loan applications requesting gap financing in excess of $30,000 per unit, which prompted the need for a larger policy discussion about the maximum level of financing per unit. When land is not discounted or donated, or when a development is proposing to serve very low income residents (less than 60% AMI), to provide robust resident services, to include high building quality standards, and/or to achieve other attributes that the County encourages through its scoring criteria, additional gap financing may be required. Additionally, research on development costs and comparisons to other jurisdictions' loan programs and similar developments, suggests that the $30,000 per unit maximum makes accomplishing the goals of the program a challenge. This, combined with the fact that LIHTC projects provide extensive underwriting by VHDA or HUD, may persuade the Board to increase this maximum loan amount per unit.

A 2018 study by Abt Associates[3] on the cost to develop housing with LIHTCs found:

- New construction was substantially more expensive than acquisition and rehabilitation projects.
- Projects with many financing sources were more expensive on a per-unit basis.
- Projects with 9 percent credits had higher per-unit costs than 4 percent credit projects.

Meeting the housing needs promoted by the scoring criteria may be more costly than supported in the Guidelines as currently written. As part of staff's research, it was identified that other neighboring jurisdictions with similar loan programs also recommend flexibility with respect to loan terms, cost per unit, and other parameters, and those jurisdictions work closely with loan applicants to finance the project efficiently. A summary of these other programs is included as Attachment 4. The County's underwriter has also emphasized the need for flexibility in considering loan structuring. Additionally, because many safeguards and requirements are part of the LIHTC and 221(d)(4) programs, in terms of VHDA, IRS and HUD oversight, as well as potential negative financial ramifications to investors, the County has some assurance about the security of its investment, not present in many other financial transactions, further supporting greater flexibility. Attachment 1 has more information on the nature of LIHTC investments.

In the focus group on May 16, 2019, staff heard a mix of opinions on funding; some stakeholders supported more flexibility and increased funding to support more innovative and impactful developments. Attachment 2 contains a list of attendees at the focus group. Other stakeholders expressed support for the current approach to funding as a way to make sure developers are leveraging multiple funding sources.

Four possible options for awarding funds through the Affordable Multi-family Housing Loan Program are provided for discussion. Other options may also be appropriate for consideration.

Proposed Funding Policy Options	
Option 1	Maximum flexibility
Option 2	Staggered approach based on LIHTC type
Option 3	Increased funding level per unit ($50,000 per unit)
Option 4	Follow Guidelines as written

[3] Abt Associates (2018). *Variation in Development Costs for LIHTC Projects*. [online] Available at: https://ncsha.org/wp-content/uploads/2018/09/Final-LIHTC-Costs-Analysis_2018_08_31.pdf [Accessed 24 May 2019].
The sample in this study spans the country, including at least two projects in every state and more than 25 projects in each of 35 states.

Option 1: Maximum flexibility. The program could base the loan amount to build affordable units above ADUs required by Article 7 of the Zoning Ordinance on the demonstrated gap financing needed for the project, the availability of resources in the Program, and the level at which the proposed development meets County affordable housing needs. Terms could be negotiated for each application.

Advantages:

- Gives the County the most discretion and most control over the projects funded and the loan amounts awarded;
- Applicants will need to be judicious in their request because there would be no stated minimum or maximum level of funding;
- Better enable the County to facilitate developments that serve lower income residents, provide robust resident services and meet a larger number of County affordable housing priorities; and
- Consistent with other local jurisdictions (Attachment 4) in terms of how they fund affordable multi-family housing developments when they are seeking LIHTCs. By providing a funding approach similar to other jurisdictions in the region, this allows projects to compete and score well at the state level and helps facilitate new development partners to work in the County.

Disadvantages:

- This approach could mean loan amounts vary significantly between projects both on a per unit basis, as well as on a total project basis;
- This approach would require more scrutiny of project development costs and sources of funding to verify the gap in financing; and
- This approach could result in larger loans and potentially use up the Trust before it could be replenished by ADU revenues and loan repayments.

Option 2: Staggered approach based on LIHTC type. The Program could fund projects seeking 9 percent LIHTCs or hybrid funding through 9 percent and 4 percent LIHTCs every other year. In the off year, the Program would award funds to either HUD 221(d)(4) or 4 percent LIHTC projects only. The loan terms would be negotiated for each application, contingent on the demonstrated gap financing needed for the loan, the availability of resources in the Trust, and the level at which the proposed development meets the affordable housing needs of the County. LIHTC 9 percent and 9 percent/4 percent hybrid projects compete for tax credits and may require a larger loan amount from the County as opposed to 4 percent LIHTC projects, which are noncompetitive and do not receive points for the amount of County funds in the project financing sources.

Advantages:

- Consistent with other jurisdictions except for the staggered timing of every other year; and

- More fiscally conservative than option 1, because it would potentially stretch the funding available by limiting potentially larger loans to every other year instead of every year.

Disadvantages:

- Viewed negatively by partners and developers because they could only come to the County every other year for funding in support of 9% or hybrid LIHTC applications;
- May limit the County's opportunities for projects; and
  - The land development process is unpredictable. A site could become available or be approved for residential development off-cycle, and the County could potentially lose that affordable housing because of the staggered approach to 9% and hybrid LIHTC applications.
- This approach could result in fewer affordable units produced because instead of awarding both 9 percent and 4 percent project loans each year, the County would award only one type each year.

Option 3: Increased funding level per unit ($50,000 per unit). The County could increase the loan amount to be based on the number of units provided in excess of the ADU requirements of Article 7 of the Zoning Ordinance, at a maximum rate of $50,000 per affordable unit, contingent on the demonstrated gap financing needed for the loan and the availability of resources in the Fund. At the Board's discretion, depending upon the County priorities met by the project, the rate per unit may be greater than $50,000, depending upon the demonstrated funding gap and Program funding availability.

Advantages:

- Better enables the County to facilitate developments that serve lower income residents, provide robust resident services and meet a larger number of County affordable housing priorities; and
- Would more closely align with the County's experience in the FY 2019 funding round and funding levels in neighboring jurisdictions than the current $30,000 cap, and would give discretion to the Board to award higher per unit cost based on other criteria besides income and AMI.

Disadvantages:

- Less flexibility; and
- More expensive than the current approach of $30,000 per unit, and could potentially use up the available funding before it could be replenished by ADU revenues and loan repayments.

Option 4: Follow Guidelines as written. The County could choose to follow the Guidelines as written, capping funding at $30,000 per unit with funding per unit greater, at Board's discretion, for affordable rental housing projects that offer units benefitting households with incomes at 50 percent AMI or less. Under this option, the Board could also decide to maintain the $30,000 cap per unit, but expand the categories upon which it would consider rate per unit increases, in addition to serving households below 50 percent AMI.

Advantages:

- Most fiscally conservative approach and possibly funding more projects.

Disadvantages:

- Makes it even more challenging to fund projects in the future as both land and construction costs continue to increase; and
- Limits developers' ability to provide more diverse developments serving different populations and offering resident supports and services;
- Inconsistent with other jurisdictions in terms of the subsidy level necessary for the new construction of affordable housing; and
- Could lead to less developer interest in working in the County.

Staff Recommendation: Staff recommends the first option of maximum flexibility, to base the loan amount on the demonstrated gap financing needed for the loan, the availability of resources in the Housing Trust and the level at which the application meets County affordable housing needs. This approach gives the County the most discretion, flexibility and control over the resources available, with the greatest ability to facilitate impactful affordable housing developments.

ISSUE #2: How should the County structure repayment terms?

Background:
The County loan is intended to provide gap financing to encourage the development of affordable housing that meets County priorities as identified through the Scoring Criteria. As a soft loan, the terms of the financing are structured to ensure a reasonable payment schedule and pay-off date, while also ensuring the project is financially sustainable.

The cash flow split, start date of repayment, and interest rate determine the loan duration, and each factor impacts the others. For example, a decrease in interest rate would reduce the cash applied to interest and increase the amount applied to principal, making the loan term shorter. A decrease in cash flow applied to the loan would reduce the payment amounts and increase the loan term. The County's goal is to ensure the loan is repaid, and that the project is successful.

In the focus group on May 16, 2019, staff heard consensus from stakeholders that providing more flexibility in how repayment was structured would be more realistic in terms of how LIHTC are financed with multiple sources, and would be more helpful to developers in facilitating strong and financially sustainable developments.

Two possible options for awarding funds through the Program are provided for discussion. Other options may also be appropriate for consideration.

Option 1: The County could choose a more flexible repayment policy, which would include: negotiation of the cash flow split in terms of the loan repayment in the early years of the project, while the deferred developer fee is being paid; negotiation of the interest rate; demonstration that the first payment on the loan occurs shortly after property stabilization when the project is generating cash flow; and that the cash flow is sufficient to pay not only interest on the loan, but also to start paying principal by no later than the end of the LIHTC compliance period of 15 years.

<u>Advantages:</u>

- Allows staff to prioritize faster loan repayment and return of funds to the County;
- Allows the County to balance the need for the project to repay a deferred developer fee, begin repayment of the County loan, and repay the County loan in a timely way, while not jeopardizing the feasibility of the project;
- Requires payments on the loan principal by no later than year 15, which provides assurance that the project is financially viable, able to meet obligations, and maintain compliance with primary lender, IRS, and VHDA/HUD requirements;
- Consistent with how neighboring jurisdictions structure loan repayment; and
- Gives the County a stronger ability to negotiate the financing terms of the loan to the County's benefit.

<u>Disadvantage:</u>

- Terms could vary from loan to loan, so stakeholders could view this change as making the Program less transparent;
- Allowing staff to negotiate percentage of net cash flow that will go to the County until the deferred developer fee is paid in full will reduce the County loan; it could also extend the amount of time required to pay back the loan. However, the fact that interest will accrue from stabilization of the project will minimize the financial impact of the longer term of the County loan.

Option 2: The County could choose to follow the repayment terms in the Guidelines as written.

<u>Advantages:</u>

- More financially conservative; and
- Could be perceived as more transparent.

Disadvantages:

- Rigid approach;
- Exposes project to risk of escalating interest rates after board approval of the project and before the loan is closed;
- It may inadvertently discourage the developer from deferring part of the development fee as a source of financing; and
    - In a LIHTC project, if the applicant finances a portion of the project with a deferred development fee, that fee must be fully repaid before the end of the initial compliance period of 15 years, and preferably prior to year 10 in order to attract investors.
    - This requires more of the cash flow from operations to pay down the deferred development fee and less cash flow to the County in the initial years.
    - The Guidelines require a 75/25% distribution of the net cash flow to the County from the beginning of repayment, which could discourage developers from deferring their fees and require more loan funds from the County.
- Inconsistent with the approach taken by other jurisdictions.

Staff Recommendation: Staff recommends a more flexible approach to setting repayment terms within the Program because LIHTC developments usually have multiple funding sources with varying schedules and conditions. This policy recognizes the need to align with other funding sources but also gives the County more ability to ensure repayment of its terms on its timeline.

ISSUE #3: What is the appropriate interest rate for County loans?

Background
The County loan is intended to provide gap financing to encourage the development of affordable housing that meets County priorities. VHDA awards points to 9 percent and 9 percent/4 percent hybrid LIHTC projects that have subsidized funding that has a below market-rate or has payment terms that are cash flow only. The County loan qualifies as subsidized funding, and the terms of the financing are structured to ensure a reasonable payment schedule and pay-off date, while also ensuring the project is financially sustainable. The interest rate is one aspect of the repayment terms that impacts how quickly the loan is repaid. For example, a decrease in interest rate would reduce the cash applied to interest and increase the amount applied to principal, making the overall loan repayment term shorter. Stakeholders at the May 16, 2019 focus group did not object to interest rate flexibility, as long as the rate stayed below market, to enable points from VHDA for the subsidy provided.

Option 1: The County could choose an interest rate guided by the 10-year Treasury rate and VHDA requirements for below market-rate financing for local subsidy loans in the Qualified Allocation Plan (QAP). The County could allow staff some discretion to negotiate based on each individual project's financing components and benefits to the County. As described in the Technical Revisions section of this report, the Executive Review Team will be involved in the negotiation and recommendation of the rate. The rate negotiated will be based on the assumption of a fully amortizing loan with a term not to exceed 30 years. Adjustments for terms up to 40 years will be made on a project by project basis.

Advantages:

- Allows staff to prioritize faster loan principal repayment and return of loaned funds to the County;
- Allows the County to balance the need for the project to repay the County loan in a timely way without jeopardizing the feasibility of the project;
- Consistent with how neighboring jurisdictions structure loan repayment; and
- Gives the County a stronger ability to negotiate the financing terms of the loan to the County's benefit.

Disadvantages:

- Terms could vary from loan to loan, so stakeholders could view this change as making the program less transparent; and
- Lower interest rate will result in less interest revenue for the County, and less total cash flow back into the loan program.

Option 2: The County could choose to follow the interest rate terms in the Guidelines as written, i.e. 10-year Treasury's rate of interest set up to 60 days before closing of the County loan, with potential reduction of half a point if the affordability period is extended beyond 30 years.

Advantages:

- More financially conservative;
- Could be perceived as more transparent; and
- Will potentially provide a higher amount of interest income to the program.

Disadvantages:

- May discourage the applicant from deferring development fee because more cash flow will have to be paid to the county for higher interest amounts;
- Will prolong the length of the loan repayment in total years, and will delay the start of principal repayment and may require a balloon payment at the end of the loan term;
- Lack of flexibility in setting financing terms; and
- Inconsistent with approach taken by other jurisdictions.

Staff Recommendation: Based on staff and Board experience closing three loans on affordable multi-family housing developments, staff recommends setting fixed interest rates, guided by the 10-year Treasury bill rate as opposed to being specifically set by the Treasury bill rate. Staff also recommends discretion so that the interest rate may be negotiated based on the specific project financing components and benefit to the County. This flexibility gives the County the greatest ability to negotiate the best outcome for the County.

ISSUE #4: Should the County establish annual priorities?

Background:
The Board could proactively set annual priorities for the Program. For example, if in a previous year the Board approves age-restricted communities, the Board could decide to only fund family developments in the following funding cycle. The Board could also consider whether it wants to focus providing funding for developments in certain geographic areas of the County from year to year, or encourage an annual focus on special populations in a funding cycle.

The Committee has two options to consider for setting an annual County priority for the loan program. Other options may also be appropriate for consideration.

Option 1: The Board could announce priorities for the next round of applications at the time it approves the current applicants. For example, in February 2020, when the Board approves multi-family loans that were submitted in October 2019, it could announce its funding priorities for loan applications submitted in October 2020. This would give applicants a clear understanding of projects the County wants to focus on.

Advantage:

- Gives the Board the opportunity to more directly influence the affordable multi-family housing funded through the Program in a way potential applicants can take into consideration before submitting their applications.

Disadvantages:

- Pre-development of affordable housing can take a number of years, to gain site control, zoning approval, and enough funding to begin the development process; and
    - It may not be possible for projects that need County loan support to respond to the Board priorities even with six to eight months to respond.
- Staff expects that applicants would submit projects that align with state priorities as defined by VHDA.
    - In any given year, the state priorities may not align with the County specific priorities.
    - As an alternative tool, however, the Board could request staff revise the scoring criteria at any time.

Option 2: The Board could choose not to set annual priorities for the loan program.

Advantage:

- Applicants would continue to follow the scoring criteria in preparing their applications, and the criteria clearly indicate that the County expects funded projects to be of high quality and serve very low-income and vulnerable populations.

Disadvantage:

- The Board would not have a set process to fund a specific affordable housing priority.

Staff Recommendation: Staff recommends not having a changing priority every year to provide more predictability to the Program. Staff suggests the Board review and propose changes to the scoring criteria periodically to reflect their priorities, if different from those included in the criteria.

TECHNICAL REVISIONS

Staff proposes revising the application and communication process with applicants. Staff has determined that additional materials are needed from the applicants to provide clarity on construction costs, services provided, and other factors to improve the quality of information provided in the loan application. In the focus group on May 16, 2019, staff shared general information on these proposed changes. Stakeholders did not disagree with providing more information to the County; since most of the information being clarified or newly requested is information applicants would also be submitting to VHDA, these requests would not add new burdens to the process. Stakeholders were in agreement that more regular communication during the application process would be helpful. Additional minor changes update the guidelines based on the first year of implementation and improve the transparency and understanding of County expectations for applications.

Staff recommended technical revisions to the guidelines include:

- Application review process
- Application communication process
- Application materials
- Application affidavit
- Affordability period
- How technical non-material changes to terms of loan approval are addressed
- Clarifying changes

1. **Application review process.** Staff recommends adding staff from the Departments of Planning and Zoning and Economic Development to the initial review team currently

comprised of staff from the Department of Family Services, the Department of Finance and Procurement, County Attorney's Office, and County Treasurer's Office. Additionally, a new executive review team would be part of the application review process to include leadership from the Departments of Family Services, Management and Budget, and Finance and Procurement, as well as the County Treasurer, County Administration, and a member of the Board of Supervisors to ensure coordination. This executive review team would provide an additional level of evaluation and input from both financial and programmatic perspectives so that staff recommendations for funding create affordable housing in the most effective way.

2. **Application communication process.** After going through one round of applications under the Guidelines, a more informal process would be helpful in working with applicants. As written, the Guidelines state that staff will hold a pre-application meeting with interested applicants and one post-application discussion with applicants. During the FY 2019 funding round, the FGOEDC directed staff to continue to meet with applicants to review the applications and negotiate better terms for the County. For future funding rounds, staff believes that meeting with applicants throughout the application review process will be the most effective way to negotiate better terms for the County without compromising feasibility of the project, and to make sure the County has all of the information and data it needs to fully understand and evaluate project proposals. Additionally, staff recommends a requirement of loan applicants that any changes to the terms contained in the loan application due to financing adjustments required by VHDA or HUD be communicated to the County as soon as possible with updated documents/records.

3. **Application materials.** Staff recommends requesting additional information from applicants as well as clarifying the kind of information staff needs in applications related to cost and other sources of financing. This will increase staff's ability to robustly evaluate projects. Staff also recommends adding language that material revisions to the loan application that reduce the number of units or the support services to be provided, or the targeted population to be served, must be approved in writing by the County; failure to communicate these changes may result in the rejection of the loan application.

4. **Application affidavit.** Staff recommends adding an application affidavit that not only ensures a complete and accurate application is submitted, but also that the loan applicant acknowledges and accepts the terms of the application. The affidavit explains County expectations that materials submitted to VHDA after the County's loan is approved and subsequent reporting to VHDA should also be submitted to the County and that the loan applicant agrees that approval of the loan will give the County the right to perform post-construction inspections to the property.

5. **Affordability period.** Staff recommends requiring a minimum 30-year affordability period, since LIHTC developments have to meet a 15-year IRS compliance period and then a 15-year extended use period per VHDA requirements. By setting a higher minimum, the

Program will be consistent with state requirements. This change also could help encourage even longer affordability periods.

6. **How technical non-material changes to terms of loan approval are addressed**. Staff recommends the Board approve new language in the Guidelines that clarifies that the County Administrator is authorized to make technical non-material amendments to a loan without further approval by the Board, if recommended by staff and supported by the County Attorney. Additional requirements of VHDA related to subordinate financing or the lengthy LIHTC process may lead to changes in financing terms subsequent to the approval of the County loan, which could impact some terms of the County's loan. It is vital that the County Administrator has the authority to address these needs (e.g. timing of interest rate lock) or minor technical non-material changes will need to be brought before the Board to approve revised loan terms on a potentially frequent basis as more loans are funded.

7. **Clarifying changes.** Staff is recommending a few other additional changes to the Guidelines. They are minor and mostly clarify different aspects of the loan program.

FUTURE ISSUES FOR CONSIDERATION

In the future, staff may bring additional changes to the Guidelines and Program to the Board for consideration, as the County gains more experience and staff seeks to continue to refine and strengthen the County's funding approach. One potential change could be the consideration of two sets of guidelines/scoring criteria for LIHTC projects that have to compete for credits at the state level, and applications for 4 percent LIHTCs, which are non-competitive.

FISCAL IMPACT:

The Housing Trust funds loans approved under the Program and is within the Housing Fund. It currently has an uncommitted balance of approximately $18 million. Loan repayments, as well as revenue from the market sale of ADUs (the difference between the market sale price and the ADU price is split, with half of the profit coming to the Housing fund), and the cash from the buy-out provisions of the ADU Ordinance, replenish the fund. Revenues from these sources totaled $1.4 million in FY 2016 and FY 2017 and $2.5 million in FY 2018.

Based on the historic and current trends, the Housing Fund balance is expected to continue to increase as a result of ADU market sales following the expiration of the covenants' 15-year price control period, with the potential for additional funds in the foreseeable future due to covenant expiration. From 2012 to the end of 2018, 86 covenant-expired ADUs had been sold at market sale. Upon the expiration of the second control period at 50 years, all of the proceeds from a market sale of an ADU accrue to the seller and no funds come to the County. The first ADU covenants were recorded in 1995. Only a small share of ADUs are sold at market, so it is difficult to predict future revenue into the Housing Fund. However, ADUs have provided an average revenue of $1-2 million every year for the past four years.

Staff has analyzed the Program in terms of expected ADU revenues, expenses, and multi-family loan repayments.[4] The County, without providing any local tax funding to the Program, could loan an average of $3.5 million a year, and stay in balance with the ADU revenues and loan repayments coming into the Program. If the County dedicated additional resources to the multi-family loan program, its ability to facilitate the development of affordable housing could be even more impactful by supporting the award of more loans and of larger loans, which will also lead to more loan repayments.

Projection Scenario:

The projection scenario provided below demonstrates what the fund balance could be based on the issuance of new loans each year and receipt of repayments for outstanding loans and new loans, which will build over time. This scenario assumes that:

- previously awarded loans will be repaid from project operating cash flow, as projected at the time of award;
- new loans will generate a conservative projected repayment amount each year;
- ADU revenue will remain consistent with historical amounts;
- annual new loans assumed to average to $3.5 million per year over the 17 years presented; and
- expenditures are inflated by 2% each year.

Under this scenario, the projected fund balance is anticipated to decrease until FY 2035. At that point in time, it is projected that the fund balance will begin to increase. By FY 2032, repayment of loans will reach more than $1 million per year. This timing is based on loans being repaid with cash flow from affordable housing development's operations; significantly more cash flow is used to repay the County loan in the later years of operations. Annual loan amounts higher than projected and/or lower annual loan repayments would reduce the projected balances. These projections do not include any local tax funding.

[4] From 2007 to 2017, the average annual revenue into the Housing Fund was $2.6 million. This revenue data was pulled from the Comprehensive Annual Financial Reports.

Projected Loan Repayment Schedule for Existing Loans							
Payment year	**Poland Hill**	**Mt. Sterling**	**Ashburn Chase**	**Heronview**	**Stone Springs**	**Total Payments per year**	**Cumulative**
FY 2020				20,169	110,700	130,869	
FY 2021				22,002	110,700	132,702	
FY 2022	97,127		47,177	22,002	73,800	240,105	
FY 2023	118,062		50,268	22,002	73,800	264,131	
FY 2024	125,878	158,524	53,151	22,002	73,800	433,356	1,201,164
FY 2025	133,744	104,075	56,043	22,002	73,800	389,664	
FY 2026	141,657	110,460	127,449	22,002	73,800	475,368	
FY 2027	149,615	116,826	185,541	22,002	73,800	547,784	
FY 2028	157,616	123,170	194,269	22,002	73,800	570,857	
FY 2029	165,656	129,487	203,004	22,002	73,800	593,950	3,778,786
FY 2030	173,733	135,771	211,744	22,002	223,800	767,050	
FY 2031	181,845	142,016	220,483	22,002	220,110	786,456	
FY 2032	189,986	148,218	229,215	22,002	216,420	805,841	
FY 2033	198,156	154,370	237,934	22,002	212,730	825,192	
FY 2034	206,349	160,466	246,636	22,002	209,040	844,493	7,807,819
FY 2035	214,563	166,500	255,313	22,002	205,350	863,728	
FY 2036	61,047	172,464	263,960	1,100,000	201,660	1,799,131	

PROJECTED Scenario of Funding for the Program Based on Estimated Revenue and Expenditures						
		Increases		**Decreases**		
Payment (pmt) year	**Program beginning balance**	**Average (Avg) annual ADU revenue**	**Estimated pmts per year for current and new loans**	**Avg annual loan award**	**Avg annual program expenditures**	**End of year program balance**
FY 2020	18,000,000	2,000,000	130,869	3,500,000	50,000	16,580,869
FY 2021	16,580,869	2,000,000	132,702	3,500,000	51,000	15,162,571
FY 2022	15,162,571	2,000,000	240,105	3,500,000	52,020	13,850,656
FY 2023	13,850,656	2,000,000	264,131	3,500,000	53,060	12,561,727
FY 2024	12,561,727	2,000,000	633,356	3,500,000	54,122	11,640,961
FY 2025	11,640,961	2,000,000	589,664	3,500,000	55,204	10,675,421
FY 2026	10,675,421	2,000,000	675,368	3,500,000	56,308	9,794,481
FY 2027	9,794,481	2,000,000	747,784	3,500,000	57,434	8,984,831
FY 2028	8,984,831	2,000,000	770,857	3,500,000	58,583	8,197,105
FY 2029	8,197,105	2,000,000	793,950	3,500,000	59,755	7,431,300
FY 2030	7,431,300	2,000,000	967,050	3,500,000	60,950	6,837,400
FY 2031	6,837,400	2,000,000	986,456	3,500,000	62,169	6,261,688
FY 2032	6,261,688	2,000,000	1,005,841	3,500,000	63,412	5,704,116
FY 2033	5,704,116	2,000,000	1,025,192	3,500,000	64,680	5,164,628
FY 2034	5,164,628	2,000,000	1,044,493	3,500,000	65,974	4,643,147
FY 2035	4,643,147	2,000,000	1,063,728	3,500,000	67,293	4,139,582
FY 2036	4,139,582	2,000,000	1,999,131	3,500,000	68,639	4,570,073

ALTERNATIVES: The Board has the option to keep the Guidelines and review process as written with no changes beyond the technical clarifications and additional application documentation as proposed in Attachment 3. Since the Guidelines as written include language that the Board can consider providing funding above $30,000 per unit, future funding rounds will likely have scenarios where a development meets most of the County's priorities in terms of the scoring criteria, but needs more than $30,000 per unit to meet its demonstrated gap.

The Guidelines currently have language that the Board can consider providing funding above $30,000 per unit for projects providing units for households at 50 percent AMI or less. The Board has the option to expand this language and allow for additional funding per unit for additional categories.

DRAFT MOTIONS:

1. I move the recommendation of the Finance/Government Operations and Economic Development Committee that the Board of Supervisors approve a revision to the Affordable Multi-Family Housing Loan Program Guidelines, and authorize staff to:
    a. Base loan amounts on the demonstrated gap financing needed for each loan, the availability of money in the Fund, and the level at which each proposed project meets County affordable housing needs;
    b. Implement a flexible approach to structuring repayment terms as recommended by County staff in the July 18, 2019, Board of Supervisors Business Meeting Action Item;
    c. Set interest rates guided by the 10-year Treasury rate and VHDA requirements;
    d. Continue to use the Scoring Criteria to meet County housing needs through the Program; and
    e. Approve the technical revisions to the Guidelines included in Attachment 3 of the July 18, 2019, Board of Supervisors Business Meeting Action Item.

OR

2. I move an alternate motion.

ATTACHMENTS:

1. Importance of the Low-Income Housing Tax Credit
2. List of attendees at May 16, 2019 focus group
3. Staff recommended technical revisions to the Guidelines
4. Summary of other jurisdictions' approaches to funding affordable multi-family housing developments
5. Current Loan Program Guidelines

Importance of the Tax Credit Program

The federal Low-Income Housing Tax Credit (LIHTC) program is very successful, and a key reason is that the program operates as a public-private partnership and relies on "sophisticated capital." Not only does the Virginia Housing Development Authority (VHDA) (the state housing finance agency) complete a robust underwriting review, but LIHTC developments are underwritten by privately held lenders and syndicators who manage these investments for institutional investors. "Developers monetize the housing tax credit and other tax benefits with private investors to raise the equity capital to build the affordable housing developments." For ten years after the development is complete, the investor will receive tax credits, but to keep those credits, the development must follow all of the rules of the program for 15 years. The investor wants a responsibly underwritten deal because they want to keep all of their claimed tax credits and not have to repay any credits. With a large number of financial stakeholders in each LIHTC development, there is extraordinary motivation to make these deals successful and keep them successful. [1]

The investors in the tax credit are predominantly large publicly traded companies, mostly in the banking and financial services sector. Of the $15 billion of capital committed to housing tax credit investments in the last three years, the banking sector was responsible for about 85 percent of that investment. The LIHTC is also an incredibly safe and well-performing investment. In 2016, the approximately 23,000 LIHTC properties across the United States had a 97.9% physical occupancy rate and a 1.40 debt coverage ratio. The overall foreclosure rate for the program is less than 1%.[2]

Projects are required to comply with investment regulations for the 15-year initial compliance period, and, per VHDA policy, meet affordable rent requirements in an extended 15-year affordable commitment, up to 30 years total. The projects must meet the minimum requirements based on Internal Revenue Service (IRS) Code 42, which include restrictions on rents, utilities, property management, construction and design standards, and energy efficiency. The project must also comply with VHDA cost limits and restrictions. The equity from investors is not available to the project until the project is completed and occupied, known as "placed in service". Additionally, any violation of LIHTC rules can result in the loss of tax credits and repayment of those funds to the federal government, which would be extremely costly to the investor and thus is avoided by participants by complying with the program.

A robust underwriting review by VHDA significantly reduces the risk of nonperformance on these types of projects. LIHTC properties are required to fund three types of reserves to ensure the financial health of the property: capital repairs and renovations, annual operating reserves, and lease up reserves. These mandatory reserves lower the risk of poor management and financial insecurity of the project. Replacement reserves are funded annually out of the operating budget to pay for capital repairs and renovations. All of these requirements for LIHTC investment help ensure that projects are successful over the long-term

[1] CohnReznick (2018). *Housing Tax Credit Investments: Investment and Operational Performance*. [online] Available at: https://www.cohnreznick.com/-/media/resources/tcis/cr_lihtc_march2018_interactive.pdf [Accessed 24 May 2019].
[2] Ibid.

LIHTCs can be 9% credits or 4% credits associated with Private Activity Bonds. The 9% LIHTC projects are typically easier to structure financially and are able to target lower rents unlike 4% LIHTC projects. However, 9% projects are very difficult to obtain because of the high competition for them. In Virginia, for every $1 in credits that is available, $3 in credits is requested. In order to avoid the competition, many developers choose to develop below-market rentals for households that earn 60% Area Median Income (AMI) ($72,800 for a family of four) financed with Private Activity Bonds that include an automatic, non-competitive 4% LIHTC.

The 9% credits are allocated by VHDA through a competitive process as outlined in the state's required qualified allocation plan (QAP). The QAP allocates tax credits for projects that meet the state's housing needs much like the scoring criteria included in the County's Affordable Multi-Family Housing Loan Program Guidelines. The QAP gives preference to projects that serve the lowest income residents, for the longest period of time, and meet the specific goals of the state. Bonus points are also awarded for extended affordability periods, participation by local governments and non-profits, and the use of Project Based Vouchers (which guarantees some apartments will house extremely low income residents (30% AMI and below). The margin between the funded and unfunded projects in this competition is narrow. In 2019, 48 projects competed in Virginia, and funding was awarded to 26 of these projects, in most cases on the basis of just a few points. The point system creates a very competitive process. A project that has a 9% component must go through the rigorous competitive process, while a project that is seeking only 4% credits does not have to compete for the credits. 4% tax credit allocations are combined with tax exempt bond financing; they are more available, do not have a set deadline for application, and are not subject to a competitive process.

Attendees at Affordable Multi-family Housing Loan Program Focus Group Discussion

May 16, 2019

Name	Organization
Kirsten Langhorne	Langhorne Custom Homes
Kim Hart	Good Works LLC
Laura London	Arlington Partnership for Affordable Housing
Bob Dale	Windy Hill Foundation
John Welsh	AHC
Ari Severe	TM Associates
Ben Miller	E&G Group
Michael Capretti	Capretti Land
Noah Hale	TM Associates
Adam Stockmaster	TM Associates
Brett Meringoff	Winn Development
Rhonda Mixer	Franklin Johnston Group
John Payne	Virginia Housing Development Authority

Attachment 2

County of Loudoun
Affordable Multi-family Housing Loan Program Guidelines

Adopted July 3, 2018

Revised ____________, 2019

Attachment 3

AFFORDABLE MULTI-FAMILY HOUSING LOAN PROGRAM GUIDELINES

Purpose

The fundamental purpose of the Affordable Multi-family Housing Loan Program (Program) is to increase the supply and retention of affordable multi-family rental housing units in Loudoun County (County) to support housing for County citizens and the workforce, which is critical to the County's economic development, by providing financing in accordance with these Guidelines (Guidelines). The Guidelines are established to enable the County to provide gap financing in affordable housing projects to encourage private investment to address the unmet housing needs of County citizens and workers, and to guide the processing and approval of loans.

Within the Program, and in addition to loans, the County may also offer other non-cash County services or benefits, including but not limited to commitment to donate public land or buildings or reduction on County fees.

Use of the Program Loans

The purpose of the program is to provide loans to finance affordable, rental housing within the County to help address the unmet rental housing needs of County households earning 60% or less of the Area Median Income (AMI). Loans shall be provided to finance units in excess of the minimum number of Affordable Dwelling Units (ADU) necessary to satisfy the requirements of Article 7 of the Zoning Ordinance. The County of Loudoun Board of Supervisors (Board), through the Program, serves as a gap lender. Loans are intended to provide assistance to developers with gap financing, not to pay the entire cost of project development. For purposes of the Program, the term Affordable Housing refers to households earning 60% AMI or lower.

The Program may provide loans to assist funding the following types of projects:

> 1) Multi-family affordable rental housing units in the County developed pursuant to the Virginia Housing Development Authority (VHDA) Low Income Housing Tax Credit (LIHTC) program (VHDA LIHTC) or a U.S. Department of Housing and Urban Development (HUD) 221(d)(4) Affordable program that meets the definition of Affordable Housing included in the HUD Multifamily Accelerated Processing (MAP) Guide, Revised January 29, 2016, as amended, from the Office of the Assistant Secretary for Housing -FHA Commissioner (HUD 221(d)(4) Affordable), as applicable, or

2) Multi-family affordable rental housing in the County with units for the benefit of households within the income and the rental limits defined by sections 1450.03 (b) and 1450.07, respectively, of Chapter 1450 of County Ordinances. [1]

The Program will assist funding the construction, rehabilitation, and/or preservation of affordable rental housing in the County, at the discretion of the Board. The following are the eligible uses of the loans:

- Construction of affordable units. Construction refers to development of new multi-family housing structures.
- Rehabilitation/Renovation of affordable units. Rehabilitation/Renovation is defined as repairs, improvements, replacements, alterations, and additions to existing properties, and the labor, materials, tools, and other costs of improving buildings, other than minor or routine repairs. This term includes renovation that involves costs of 75 percent or less of the value of the building before rehabilitation. Loans may be made for all levels of renovation—minor, moderate, and substantial, and include adaptive reuse, use conversion from nonresidential to residential.
- Real estate acquisition directly linked to preservation, construction or rehabilitation/renovation of affordable units. Preservation requires ensuring the long term and ongoing availability of affordable rental units on currently built property.

The Program may not be used to finance the following non-eligible items:

- Operating expenses
- Social services
- Project reserves
- Hard or soft cost contingencies
- Developer fees
- Pre-development costs
- Builder's profit or overhead
- Architect administration
- Syndication related costs
- Construction management fees

[1] These programs are referenced in the Amended and Restated County of Loudoun Housing Trust (Trust), Article 7 (Affordable Dwelling Units, ADU) of the Loudoun County Zoning Ordinance, and Chapter 1450 of the County Codified Ordinances as eligible for County financial support from the Trust. Article 8 of the Loudoun County Zoning Ordinance defines Affordable Dwelling Unit and Affordable Housing Unit. (Articles 7 and 8 can be viewed here: https://www.loudoun.gov/DocumentCenter/View/99645 .
Amended and Restated County of Loudoun Housing Trust approved by the Board on July 20, 2018 can be viewed here: https://lfportal.loudoun.gov/LFPortalinternet/0/fol/195869/Row1.aspx?dbid=0&startid=195869&row=1
Sections 1450.03 (b) and 1450.07 of Chapter 1450 of County Ordinances

- Development/financing consultant fees, or fees for other non-development related services, including funded guarantee or reserve accounts required by lenders or investors
- Units for rent at market rate
- Financing fees

Loan applications for a mixed income project (projects that include rental units to benefit households with income higher than 60% AMI) or a mixed use project could be considered as long as the loan applicant demonstrates in the loan application materials (particularly the development and operating budgets) that any resource from the Program will only be allocated toward costs associated with affordable housing uses and units eligible to be funded by the Program.

A mixed income or mixed use proposal means a project that provides both affordable housing and market rate units for rent. Market rate non-eligible units and uses must be identified in the loan application but shall be segregated out of the budget. The sources side of the budget must show what portion of each source is allocated to eligible and to ineligible uses. The budget in the loan application must show the following: Eligible uses (line by line, and total); ineligible uses (line by line, and total); total uses; sources allocated to eligible uses; sources allocated to ineligible uses; total sources. In summary, the loan applicant must be able to show that the portion of the building that is ineligible for financing from the Program can be financed without the Board's assistance. A loan applicant cannot divert resources from a source that is generated by income from eligible uses or eligible cost basis to finance ineligible costs or expenses, thereby creating a larger funding gap.

Eligible Loan Applicants

Eligible loan applicants include non-profit and for-profit affordable housing developers that propose to incorporate long-term affordable rental housing into a multi-family residential development within the County. All applicants must have demonstrated capacity, experience developing products similar to that proposed and with acceptable credit histories.

Funding Availability

The Program is funded by appropriations from the Board out of the County of Loudoun Housing Trust (Trust). The Program is available to developers of affordable rental housing through an annual competitive loan application process. Every year, not later than May 1, the Department of Family Services will publish on the County's website, a Notice of Funding Availability (NOFA) disclosing the loan application schedule for the same year and any other requirement specific to that year.

In order to be considered, complete loan applications must be submitted by 5:00 p.m. EST on the first business date in October or as noted in the advertised NOFA. ~~as set forth in the Notice of Availability~~. The Board will decide whether to provide a loan based on consideration of the applications not later than the second regular business meeting of the Board in February of the following year.

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Resources in the Program are not specifically derived from local tax revenues and cannot be predicted, ~~thus, the balance in the Program is viewed as discreet and finite~~. The Board's objective is to provide the greatest affordable housing benefit to the public and maximize the utilization of resources in the Program while preserving it as a funding source for the long-term; creating, if possible, a more predictable revenue stream. The Board will allocate resources to assist affordable rental housing projects while preserving sufficient funds to sustain, promote, and advance the goals of the County's affordable housing programs for the long-term. Should the Board deem the balance in the Program insufficient to meet the County's long term housing policy goals, loan availability may be withdrawn at the Board's discretion. The Board, upon recommendation from County staff, will consider whether to concentrate funding within the same group or related parties based on an evaluation of business risk to the County. For projects to be developed pursuant to VHDA LIHTC or HUD 221(d) (4) Affordable programs, the County will commit to loans from the Program contingent upon the loan applicant obtaining VHDA LIHTC and/or HUD 221 (d) (4) Affordable approvals, as applicable.

Loan Application Review Criteria

The Program is available to developers of affordable rental housing for rent through an annual competitive loan application process. Funding decisions will be made based on the merits of each loan application as graded in accordance with these Guidelines, the Affordable Multi-family Housing Loan Program Criteria and Scoring Guidance (Program Scoring Guidance), and the availability of resources in the Program as per the ~~Notice of Availability~~NOFA. Loans may be approved by the Board for less than the full amount requested in the loan application, and if multiple projects apply for loan program funds, project scores may be used to compare projects. Highest consideration will be given to loan applications that demonstrate, based on information provided in the loan application that the project will rehabilitate, construct and/or preserve the greatest number and highest quality of affordable units to serve County households at the greatest need in the most economically sustainable way.

Off-cycle applications will only be considered for "time-sensitive third party acquisition", which for the purposes of the Program means real estate currently listed on the open market, or to be listed on the open market in the immediate future. An applicant applying to be considered out-of-cycle shall present a letter to the County (see paragraph 11 of Application Process below) with information about the project (location, units, price) and documentation of time sensitivity (listing or letter from owner). The letter shall describe why an in-cycle application would preclude the ability to purchase. Off-cycle applications require approval from the Board before they begin the review process.

The County reserves the right to disqualify or qualify any project for justifiable reasons that were not contemplated when these Guidelines or the Program Scoring Guidance were established.

Gap Financing

The Board serves as a gap lender. Loan applicants must demonstrate that they are and will continue to seek other financing sources in their loan application~~they have maximized all other financing~~

~~sources before requesting a loan from the Program~~. The amount of the loan cannot be higher than the minimum amount necessary to make the affordable rental housing project feasible. The gap financing will be calculated as the difference between the total financing available for the affordable rental housing project, including equity investment, and the total development costs of the same affordable rental housing project. The loan applicant shall structure the loan request so as to maximize the long-term affordability and sustainability of the affordable rental housing project receiving assistance from the County, as well as to encourage opportunities that include project participation from other public and private funding sources. A priority for the Board in awarding the competitive loan is the ability of the developer to leverage the County's funds to secure private investment and other federal, state, and local sources of financing.

Rent Restrictions

During the affordability compliance period, which shall last at least 30 years commencing upon the date the final certificate of occupancy for the residential units is issued, as agreed to by the borrower in a deed of declaration of restrictive covenants for the benefit of the County, the project shall include at a minimum the following affordability restrictions: ~~which shall last at least 15 years after closing of the loan plus the extended affordability period agreed to by the borrower (minimum additional 15 years), the project shall include the following rent restrictions~~:

- The gross rent, including utilities, with respect to each~~such~~ unit does not exceed 30 percent of the imputed income limitation applicable to such unit size;
- The monthly rent of the affordable rental units will be restricted in accordance with rent limitations imposed by the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, as applicable, or by a declaration of covenants for affordable units offered for rent for the benefit of households with the income and the rent limits as defined by Chapter 1450 of County Ordinances;
- The affordable rental units will be offered for rent for the benefit of households with an income of 60% AMI or less in accordance with the income limitations and eligibility requirements imposed by the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, as applicable, or by a declaration of covenants for affordable units offered for rent for the benefit of households with the income and the rent limits as defined by Chapter 1450 of County Ordinances.
- The rental units that do not qualify herein as affordable housing, but qualify as affordable in accordance with the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, will be offered for rent in accordance with income limitations and eligibility requirements imposed by those programs, as applicable.
- A mixed income or mixed use project must at least comply with rent restrictions and income limitations required by VHDA LIHTC or HUD 221(d)(4) Affordable program, as applicable, and the loan will be made to support the affordable rental units only.

The loan applicant is required to provide a complete loan application package by 5:00 p.m. EST on the first business day in October or as noted in the advertised NOFA~~as set forth in the Notice of Availability~~. The loan application package shall contain any material documents, records, or other information deemed necessary by the loan applicant ~~to be necessary~~ for the County staff and the Board to review and grade the loan application. The loan application package must contain the ~~following:~~ components listed in the Application Requirements.

1. ~~4 physical (1 original and 3 copies) and 1 electronic copy of loan application and attachments;~~
2. ~~Based on the information provided in the loan application, a short, one-page submit a summary statement of facts that explains why in the loan applicant's opinion the project will rehabilitate, construct, and/or preserve the greatest number and highest quality of affordable rental units to serve County households of the greatest need in the most economically sustainable way. Also, in the statement, acknowledge and agree with some requirements of the loan program. Statement must be signed and include the required information as applicable and certifications (see Item 2 of the Application Requirements, page 145);~~
3. ~~$500 non-refundable loan application fee;~~
4. ~~Loan applicant's organizational chart, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;~~
5. ~~Organizational chart of the project developer, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;~~
6. ~~Organizational chart of the proposed affordable housing project management, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;~~
7. ~~Operating or partnership agreement of ownership entity;~~
8. ~~One-page resume of each principal named in the above organizational charts, and of each key manager of entities listed in the above organizational charts in charge of development and management of the project;~~
9. ~~Disclosure of each principal's (named in the above organizational charts) participation on previous or same year affordable housing applications within or outside the County (See Item 2, page ________);~~
10. ~~Virginia State Corporation Commission's certification of good standing of ownership entity, developer and manager entities. If a single purpose entity is the owner, certificate of good standing of the member(s), manager(s), managing member(s), shareholder(s) or partner(s) of such entity, as applicable; section 501(c)(3) Determination Letter, if a non-profit organization;~~
11. ~~Applicant financial statements as required to be submitted to VHDA and/or the HUD 221 (d)(4) Affordable programs (See Item 2, page ________).~~

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12. ~~Letter from each member of the loan applicant’s team certifying, including but not limited to those listed in 4, 5, and 6 above, that he/she is not or has not been debarred from participation in any federal program nor have any unresolved default or noncompliance issues with the County of Loudoun or the Commonwealth of Virginia;~~
13. ~~Site control documentation, which should reflect at least the right to acquire or lease the site pursuant to an executed, valid and binding written option or contract between the applicant and the fee simple owner of such site (See Item 2 of the Application Requirements, page ________);~~
14. ~~Architectural concept plan and design, including interior and exterior materials to be used. For projects that involve rehabilitation/renovation of existing buildings, a capital/physical needs assessment or a property conditions needs assessment is also required;~~
15. ~~Construction cost estimate See Item 2 of the Application Requirements, page__);~~
16. ~~Project architect’s certification of registration in Virginia;~~
17. ~~Environmental site assessment, when the project will be accompanied by a Project-Based Voucher application;~~
18. ~~Zoning approval, including special exception, if any, that demonstrate that the proposed development is a matter of right;~~
19. ~~Relocation assistance plan for existing and occupied buildings that result in the displacement of current occupants;~~

~~Project development budget in the form of sources & uses of funds, and proposed project schedule (See Item 2 Application Requirements, page _________).~~

20. ~~30-year operating pro forma (including aggregate & per unit amounts) (See Item 2 of the Application Requirements, page _______________);~~
21. ~~Tax credit calculations, if applicable;~~
22. ~~Letters of intent or interest for all funding sources identified in the loan application, if available. At a minimum, a narrative of all proposed funding sources and amounts must be provided;~~

~~Loan applications proposing projects developed using the LIHTC and/or HUD 221(d)(4) Affordable programs must present a plan for the project that addresses the period after the initial 15-year compliance period, which clearly describes the exit strategy for the limited partner and the anticipated ownership changes, including right of first refusal to a non-profit organization, if any; any anticipated refinancing, re-syndication, or sale to a third party; and how affordability will be maintained through the 30-year extended affordability period.~~

23. ~~Factual or documentary evidence to support factual description of the type of support services and programs the applicant is proposing for the project as in item 1.2 of the Applicant Requirements (See Item 2 Application Requirements, page _________).~~

If not available at the time of submission of the loan application package, ~~the following documents~~ an appraisal ~~will~~ may be required ~~before final review of the loan application and~~ as a condition of loan approval - or loan closing, at the discretion of the Board. The a~~A~~ppraisal ~~-~~of proposed site (not older than one year) should contain~~ing~~ “as-is” or “as-built” or “as complete”, as applicable if vacant

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or built, and "as-built or as-complete with restricted rent and income" and "as-built or as-completed and unrestricted income" valuations.~~;~~

~~1. Market study of the housing needs of low income households in the area to be served by the project demonstrating demand for the specific type of affordable rental housing proposed in the project; and~~

~~2. Environmental Site Assessment when the project will *not* be accompanied by a Project-Based Voucher application.~~

At a minimum, the following items must be estimated in the loan application and managed throughout the life of the loan, if approved, in accordance with the requirements of the VHDA LIHTC and/or the HUD 221(d) (4) Affordable programs. In addition to such minimum requirements, other requirements requested by the primary lender and accepted by the loan applicant will also apply to the following items:

- Operating reserves;
- Contingency amount;
- Developer fees and other fees in the development budget;
- Operating expenses;
- Reserve for replacement deposits;
- Vacancy rate;
- Minimum design and construction requirements.

The obligation of the loan applicant to provide documents, records, or other information requested by the County in order for the County to review the application continues throughout the loan application review process. The obligation of the borrower to provide documents, records, or other information relevant and material to the loan (e.g. final commitment letters from all funding sources; updated income/expense, uses/sources, pro forma; fee simple site control documentation; and updated partnership agreement of ownership entity among others) continues throughout the closing of the loan and monitoring phases, whether or not the County has made the request.

Construction or Rehabilitation/Renovation Costs and Acquisition Price

The construction or rehabilitation/renovation costs of the project to be partially financed with the loan must be within a reasonable range for the proposed scope of work. Construction or rehabilitation/renovation costs include all work, including site development, associated with the physical development of the project, together with the builder's overhead and profit, but not including architectural and engineering costs or other fees related to design and permitting. The construction contingency should be factored when calculating the construction or rehabilitation costs of the project.

For projects that involve acquisition of real property~~,~~ and for purposes of the loan, the purchase price of the proposed site, "as is", may not exceed the lesser of the sale contract price, the "as is" appraised value of the property, or the fair market value as assessed by the County's Commissioner of the

Revenue. Costs related to the development of the land that are included in the purchase price that the seller may have provided like road or infrastructure improvements may be taken into consideration for purposes of the loan, at Board's discretion.

Funding per Project

The loan amount is based on the number of units provided in excess of the ADU requirements of Article 7 of the Zoning Ordinance, at a maximum rate of $30,000 per affordable unit, contingent on the demonstrated gap financing needed for the loan and the availability of resources in the Fund. At the Board's discretion, for affordable rental housing projects that offer units benefitting households with incomes at 50% AMI or less, the rate per unit may be greater than $30,000, depending upon the demonstrated funding gap and Program funding availability.

Interest Rate

Interest rates on the loan will be simple interest at a fixed rate of interest equal to the 10-year Treasury bill rate, as set 60 days prior to closing of the County loan or closing of the VHDA/HUD or primary loan, if prior to closing of County loan and required by either VHDA or HUD, as applicable. The Board may request additional commitments from the borrower (such as longer affordability commitment beyond thirty-years) in exchange for a half a point lower interest rate. Interest rates will comply with VHDA requirements for local subsidies.

Loan Collateral/Security

The loan must be instrumented as a promissory note payable to the County, secured by a deed of trust on the property where the proposed affordable rental housing project is located; the notes and respective deed of trust will be subordinated only to the primary lender, and at all times with a secured priority no lower than second position with respect to any lender. The deed of trust will have a non-recourse clause.

In cases where the project involves a ground lease, the County may, at the discretion of the Board, subordinate the loan to the fee owner under the lease agreement. In cases where the loan applicant demonstrates that a bridge loan is required to make the project feasible, the Board may accept-in its own discretion, that the loan be subordinated to a third position, based on a recommendation by the County Administrator and supported by the County Attorney, if there is equivalent collateral to protect the interest of the County.

Along with the deed of trust, the borrower must execute a declaration of covenants, in a form suitable for recordation among the land records of the Loudoun County Circuit Court, providing that the number of affordable rental units financed with the loan shall remain subject, for at least the entire period during which the loan remains outstanding, to the income eligibility requirements and rent price restrictions and limitations prescribed by the VHDA LIHTC program, the HUD 221(d)(4) Affordable program, or Article 7 of the Zoning Ordinance and Chapter 1450 of County Ordinances, as applicable. A declaration of covenants for the benefit of the County may also provide eligibility for households

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with lower incomes, and/or longer affordability periods, as offered by applicant and accepted by the Board.

Equal Housing Opportunity

All projects receiving loans from the County must comply with applicable Equal Housing Opportunity and Fair Housing laws.

Loan Repayment Schedule

The County will approve loan terms where repayment is feasible and does not jeopardize the long-term affordability and sustainability of the proposed affordable housing project. Long-term affordability means not less than a thirty (30) year affordability period ~~fifteen (15) year compliance period plus the extended affordability period~~ agreed to by the ~~borrower~~applicant. Loan applicants must demonstrate the ability to repay the loan based on the terms of the loan. Length of the loan shall not exceed the length of the project affordability period and the rent restrictions shall apply while the loan funding is outstanding. The affordability period will not be shortened or the affordability covenants will not be released should the loan be paid off ahead of schedule. The loan will be due and payable in the event of a sale or refinance of the project, unless the Board, at its discretion, previously agrees to the transaction. Notwithstanding, the County will not call the loan due and payable if the sale or refinance of the project, as applicable, ~~will be~~is the result of a restructuring agreement between the developer/operator/manager of the project and VHDA or HUD, as applicable, as long as (i) the County is informed in advance by the_developer/operator/manager of the project of their reaching out to VHDA or HUD and (ii) the secured priority of the County's loan remains intact with respect to any lender.

Repayment terms may be under one, or a combination of structures to include amortization or payments equal to 75 percent of net cash flow, but no more than the amount that would be due on a 40-year amortizing loan. The Board may at its discretion take into consideration specific characteristics of the project, or request additional commitments from the applicant, in exchange for lower percent of net cash flow. Net cash flow shall specifically include, but not be limited to, the amount by which gross revenues exceed annual debt service payments, approved operating expenses, and payments to the replacement reserve. Any other fees or payments in excess of what is stated here must be paid from the applicant's portion of residual cash flow.

Regardless of the structure of the loan, the County expects and requires repayment of the loaned amount in full. The outstanding balance of the loan (principle and accrued interest) is due at the end of the loan term. The length of the loan shall not exceed 40 years at any point in time. Under special circumstances, at the discretion of the Board, loan terms may be extended to meet specific requirements, such as those associated with HUD 221(d)(4) Affordable program financing.

LIHTC Initial Compliance Period Specific Requirement

All loan applicants proposing projects developed using the VHDA LIHTC and/or HUD 221(d)(4) Affordable program must present a plan for the project that addresses the period after the initial 15 year compliance period.

The plan must clearly describe the following:

- Exit strategy for the limited partner and anticipated ownership changes;
- Any anticipated refinancing, re-syndication, or sale to a third party;
- How affordability will be maintained through the extended affordability period.

Loan applicants must agree to maintain affordability for 30- years (to include the first 15 year compliance period and a minimum 15 year extended affordability period) by waiving the right to seek a qualified contract for project purchase at the end of the 14th year of the compliance period.

Administrative Fee

There will be a $500 non-refundable administrative fee, payable at the time of submission of the loan application, to partially recover costs to process and underwrite such loan application.

Project Monitoring

The County has the right to inspect and monitor the affordable rental housing project, including gaining access to the management and financial records of the borrower and VHDA LIHTC and HUD required reports to determine compliance with household income and rental restrictions, restrictive covenants, and terms and conditions of the loan. The requirement to provide information continues throughout the term of the loan and includes any documents requested by the County to support calculations of residual receipts, reporting to other lenders or investors, and any other document, report, or information relevant and material to the loan, whether or not the County has requested it.

Application Process

~~1.~~ All funding decisions will be at the discretion of the Board. The loan application process will be managed by the Loudoun County Department of Family Services, Division of Housing and Community Development, assisted by other County staff to include staff from the Departments of Planning & Zoning, Economic Development, Finance & Procurement, and the County Attorney's Office. The review process will also include review by leadership in the Departments of Family Services, ~~m~~Management and Budget, Finance and Procurement, as well as the County Treasurer, County Administration, and a member of the Board of Supervisors to ensure coordination.~~include an executive review team with Department Director level staff and Assistant County Administrators.~~ Other County staff may be asked to participate depending upon the specific attributes of the affordable rental housing proposal.

~~2.~~ Applications are due by 5:00 p.m. EST on the ~~first business day in October of each year as~~stated business day as advertised in the ~~Notice of Availability~~NOFA.

~~3.~~1.Loan approval will be based upon these Guidelines and the project scoring, which has been designed to measure the affordable housing project and its overall value to increase the County's affordable housing supply.

~~4.~~2.At least 45 days in advance of the deadline to submit loan applications, for information purposes and to respond to questions, County staff will conduct a pre-application meeting with all prospective loan applicants at a date and time indicated in the ~~Notice of Availability~~NOFA.

~~5.~~3.A complete loan application **must** be submitted by the October deadline in order to be considered in that year's loan application cycle. Each loan cycle is independent and loan applications submitted during one year will not carry over to the next year.

4. Loan applications will be reviewed for completeness and date stamped. Once the loan application is submitted, the loan applicant will receive written confirmation of receipt of the application and will be notified within 10 business days by the Department of Family Services of loan application completeness. Once a loan application has been submitted to the County, it cannot be changed, modified, or supplemented by the loan applicant, without prior written approval ~~except when the loan applicant receives a written request~~ from the Department of Family Services~~ to provide a new document or record.~~

~~6.~~5. Any changes to the terms contained in the loan application due to financing adjustments required by VHDA or HUD LIHTC program need to be communicated to the County as soon as possible with updated documents/records. Material revisions to the loan application that reduce the number of units or the support services to be provided, or the targeted population to be served, must be approved in writing by the County or may result in the rejection of the loan application.

~~7.~~6.A professional underwriter, under contract with the County, will evaluate the loan application for risk and feasibility of the proposed project and repayment to the County, and ~~will work in conjunction with~~ will provide ~~technical assistance~~a~~ssistance~~ professional determination about the viability of each application to County staff and the Board.

7. Each loan applicant with a complete application will have the opportunity to provide a presentation of their application during the review process at the direction of the County staff. County staff will ~~also~~ be in regular communication with applicants, and meetings with County staff may be scheduled, as needed, on a case by case basis.

8. The County staff will ~~grade and rate~~rank each loan application ~~based on~~pursuant to the Guidelines, ~~and~~ the Program Scoring Guidance and~~,~~ the underwriter's recommendation, will

develop a written recommendation to the Finance/Government Operations and Economic Development Committee (FGOEDC) ~~of the Board regarding each loan application, within a 45 calendar day review process after the loan applicant's receipt of a letter of acceptance of a complete loan application. The FGOEDC Committee will present its recommendation to the Board within 60 calendar days.~~by February of the year following the publication of the NOFA.

9. Final funding decisions are made by the Board, not later than the second regular business meeting of the Board in February of the year following the publication of the ~~Notice of Availability~~NOFA. Approved loan(s) will be available for closing within thirty (30) business days after the Board's approval.

10. An applicant must submit 1 original and 3 hard copies of the loan application, including attachments, as well as an electronic copy via email, including attachments. The loan application shall be mailed or electronically delivered to:

    Department of Family Services
    Attn. Affordable Multi-family Housing Loan Program~~Sarah Coyle Etro, AICP~~
    ~~Assistant Director~~
    Division of Housing and Community Development
    102 Heritage Way, N.E.
    Suite 103
    Leesburg, VA 20176
    ~~sarah.coyleetro@loudoun.gov~~
    rebekah.king@loudoun.gov

11. During the life of an approved loan, the County Administrator is authorized to make technical amendments to a loan without further approval by the Board.

COUNTY OF LOUDOUN
AFFORDABLE MULTI-FAMILY HOUSING LOAN PROGRAM
APPLICATION ~~ELIGIBILITY~~ REQUIREMENTS

ALL ITEMS LISTED BELOW MUST BE INCLUDED WITH THE LOAN APPLICATION. INCOMPLETE APPLICATIONS WILL BE REJECTED.

THE COUNTY WILL NOT ACCEPT REQUIRED DOCUMENTS AFTER THE SUBMISSION DEADLINE

<u>FOR OFF-CYCLE LOAN APPLICATIONS PLEASE REFER TO SECTION LOAN APPLICATION REVIEW CRITERIA IN THE GUIDELINES</u>

Item	Provided (Y/N)
1. Four physical (1 original and 3 copies) and one electronic (e-mail) copy of the loan application and attachments.	
2. Based on the information provided in the loan application, submit a ~~short, one page~~<u>summary</u> statement of facts that explains why in the applicant's opinion this project will rehabilitate, construct, and/or preserve the greatest number and highest quality affordable rental units to serve County's households at the greatest need in the most economically sustainable way. ~~Statement must be signed and dated and include the following statements from the applicant:~~ ~~that no relationship exists between the loan applicant and the seller of the project site, except as shown in this application.The loan applicant hereby certifies that the information set forth in this application is true, correct, and complete.~~ ~~The loan applicant understands and agrees that the information in this application may be disseminated to others for purposes of verification or other purposes consistent with the Virginia Freedom of Information Act. However, all information will be maintained, used or disseminated in accordance with the Virginia Privacy Protection Act. The loan applicant may refuse to supply the information requested, however, such refusal will result in the County's inability to process the application. The original or copy of this application may be retained by the County, even if the loan is not made.~~	

3. Submit a signed affidavit~~. agreeing to certain statements~~.~~ See Item 3.~~	
4. ~~3~~. $500 loan application fee (non-refundable).	
5.~~4~~. Loan applicant's organizational chart, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
6.~~5~~. Organizational chart of the project developer, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
7.~~6~~. Organizational chart of the proposed affordable housing project manager, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
8.~~7~~. Operating or partnership agreement of ownership entity.	
8. ~~One page resume of each principal named in the above organizational charts, and of each key manager of entities listed in the above organization charts in charge of development and management of the project.~~	
9. Disclosure of each principal's (named in the above organizational charts) participation on previous or same year affordable housing applications or project within or outside the County, including the status of those projects, the demographic being served, and support services provided, if any~~.~~ In the case of non-profit organizations, provide brief, but substantive, information about its mission or purpose, population served, and a summary of existing projects or programs developed/administered by the organization, including any previous experience in Loudoun County.	
10. Virginia State Corporation Commission's certification of good standing of ownership entity and developer and manager entities. If a single purpose entity is the owner, certificate of good standing of the member(s), manager(s) or managing member(s), shareholder(s) or partner(s) of such entity, as applicable; section 501(c)(3) Determination Letter, if a non-profit organization.	
11. Applicant financial statements as required and submitted to VHDA and/or the HUD 221 (d)(4) Affordable programs, with analysis of the organization's financial position and its ability to support the project for which loan funds are requested, with indicators of how the submitted financial statements supports the proposition that the organization is/will be able to support the project.	

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12. Letter from each member of the loan applicant's team, including but not limited to those listed in 4, 5, and 6 above, certifying that he/she is not or has not been debarred from participation in any federal program nor have any unresolved default or noncompliance issues with the County of Loudoun or the Commonwealth of Virginia.	
13.Site control documentation, which should reflect at least a seller and ~~buyer~~the applicant executed binding purchase agreement. With the site control documentation, the applicant should provide a summary description of the project's location including the immediate neighborhood or civil association and the context of other development/uses in the adjacent area; the amenities and services available near the project, including access to public transit; land acquisition cost (including discount by the seller, if any; as well as explanation of other costs, besides vacant land acquisition (e.g. improvements, proffers, utilities, infrastructure), that has been included within the agreed upon purchase price for the site, if any, with evidence to support such additional costs.	
14. Architectural concept plan and design, including interior and exterior materials to be used. For projects that involve rehabilitation/renovation of existing buildings, a capital/physical needs assessment or a property conditions needs assessment is also required.	
15. Construction estimate including estimated ~~additional~~ cost of additional features in the project above Code of Virginia and County ordinance regulations, e.g. fully accessible units, green/environmental friendly certifications, Universal Design, on an estimated aggregate amount and on a per unit basis.	
16. Project architect's certification of registration in Virginia.	
17. Environmental site assessment, when the project will be accompanied by a Project-Based Voucher application.	
18. Zoning approval, including special exception, if any, that demonstrates that the proposed development is a matter of right.	
19. Relocation assistance plan for existing and occupied buildings that result in the displacement of current occupants, if applicable.~~.~~	
20. Project development budget in the form of sources & uses of funds (provided in Excel format), and proposed project schedule. The full project development budget should include the amounts, sources (federal, other public, private entities), status of commitment, timing and intended use of all the sources, as well as, known acquisition cost, construction/rehabilitation cost, contingencies and all anticipated financing and soft cost (professional/legal/appraisal fees, architectural and engineering fee, construction loan interest, developer fees, marketing costs, real estate taxes, insurance costs, any loan or financing fees, building permits costs,	

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anticipated relocation expenses and consultant fees, calculated on an aggregate and per unit basis. The proposed project schedule should include pre-development, site control, development site approval (with enumeration of any known or potential challenges to development of the site), financing milestones (including use of sources received) and construction milestones through completion, occupancy and lease up.	
21. 30-year operating pro forma (including aggregate & per unit amounts) (provided in Excel format). The proforma herein requested should include at a minimum the following items: rental revenues and ancillary income, as well as expenses such as market vacancy, operating and management costs (including expenses associated with support services provided at the site), real estate taxes, debt service, all fees the applicant expects to pay from the operating budget, reserves for operating deficits (operating reserves) and any contingency amount, lease up and future capital expenses; developer's and other fees and amount of the deferred fees; reserve for replacement deposits, the term required to fully repay the County's loan, and methodology used/to be used during life of the County's loan for calculating cash flow to repay such loan.	
22. Tax credit calculations, if applicable (provided in Excel format).	
23. Letters of intent or interest for all funding sources identified in the loan application, if available. At a minimum, a narrative of all proposed funding sources and amounts must be provided.	
24. Loan applications proposing projects developed using the LIHTC and/or HUD 221(d)(4) Affordable program must present a plan for the project that addresses the period after the initial 15 year compliance period, which clearly describes the exit strategy for the limited partner and anticipated ownership changes; any anticipated refinancing, re-syndication, or sale to a third party; and how affordability will be maintained through the extended affordability period.	
25. Factual or documentary evidence to support factual description of the type of support services and programs the applicant is proposing for the project.	

~~If not available at the time of submission of the loan application package, the following documents will~~ may ~~be required before~~ ~~as a condition of loan approval or loan closing, at the discretion of the Board.~~ ~~final review of the loan application and as a condition of loan approval:Appraisal of proposed site (not older than one year) containing "as-is" or "as-built" or "as complete", as~~

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~~applicable if vacant or built, and "as-built or as-complete with restricted rent and income" and "as-built or as-completed and unrestricted income" valuations;~~.

~~2. Market study of the housing needs of low-income households in the area to be served by the project demonstrating demand for the specific type of affordable rental housing proposed in the project; and~~

~~3. Environmental site assessment, when the project will *not* be accompanied by a Project-Based Voucher application.~~

~~Loan applicant may submit along with the loan application package any other document that the applicant considers material to its loan application. The County may request, at County's discretion, the submission of additional documents or information necessary to better inform the County of the terms of the affordable housing proposal.~~

County of Loudoun Affordable Multi-family Housing Loan Program
Criteria and Scoring Guidance

Criteria	Scoring Guidance	Max. Points Available
SECTION 1: Consistency with Countywide Housing Needs		
Commitment Period	Highest Points: 60 + years commitment to maintaining affordability of units consistent with targeted households as proposed.	5
Affordable Units below 60% AMI	Highest Points: Ten percent or more of the project units provide housing for extremely low income (30% AMI or less) households.	5
Affordable Units for Persons experiencing homelessness	Highest Points: Ten percent or more of the project units provide housing for households or persons experiencing homelessness or with history of chronic homelessness.	5
Size of the units	Highest Points: Forty percent or more of the project units are family- sized units of 3 bedrooms or more, or entry-level worker units of 1 bedroom or studios.	5
The project provides housing for older adult residents.	Highest Points: Twenty percent or more of the project units are senior housing, with 100% of the units for older adults being fully accessible, 504 compliant, and meeting requirements of ADA and ANSI A117.1	5
The project provides housing for persons with disabilities.	Highest Points: Twenty percent or more of the project units are housing for persons with disabilities, with 100% of those units fully accessible, 504 compliant and meeting requirements of ADA and ANSI A117.1.	5

Transportation	Highest Points: Proposed project is located within walking distance (approximately .25 mile) to public transportation.	5
Permanent Supportive Housing Units	Highest Points: At least ten percent of the project units are Permanent Supportive Housing units for individuals with a history of chronic homelessness and/or with a disability.~~, with 100% of the units fully accessible,504 compliant and meeting requirements of ADA and ANSI A117.1.~~ Permanent Supportive Housing is funded using sources different from County's social programs, applicant has provided a Supportive Services Plan, the supportive service provider is a registered 501(c)(3) not-for-profit organization, and the Plan complies with applicable regulations.	5
Geographic distribution	Highest Points: The project is located within the Urban Policy Areas, the areas surrounding the Silver Line Metro stations and along Route 7 and Route 28 interchange, redevelopment and infill areas, or an incorporated Town.	5
SECTION 1 Total maximum points available		***45***
SECTION 2: Project Design		
Universal Design	Highest Points: The project applies Universal Design principles to allow the built environment to be usable by people of all ages and abilities, and promotes the ability for people to age in place.	5
Building Innovation	Highest Points: The project meets an established~~incorporates~~ green building standard~~s~~ such as, but not limited to, Passive	3

	House, Living Building Challenge and EnergyStar Certification; LEED, ~~or~~ EarthCraft, or other similar certifications accepted by HUD or VHDA, with ongoing energy use tracking, uses energy efficient design and construction principles; promotes high performance and sustainable buildings, and minimizes construction waste and other negative environmental impacts.	
Rehabilitation/Renovation projects	Highest Points: The project provides for adaptive re-use of existing unused, or underutilized structures or materials.	5
Amenities	Highest Points: The project will provide on-site amenities that could include, but not be limited to community meeting room, outdoor playground, swimming pool, green space, community garden, etc.	3
Location within the Community	Highest Points: The project will be located within walking distance (approximately .25 mile) of existing employment opportunities, public schools, and other amenities that could include, but not be limited to library, hospital, food store, park, community center,	5
Interspersed Units in a Mixed-Income or Mixed Use Project	Highest points: Affordable housing projects that include no more than twenty percent of market-rate units, as long as the affordable units are interspersed ~~distributed~~ throughout the project in all floors and sections so as not to concentrate the affordable units in any one area of the development/building. Multifamily buildings must have a shared entrance, and applicant has demonstrated that market-rate units are fully financeable without ~~Fund~~the County participation and that no subsidy source for affordable housing is directly or indirectly financing the market-rate units.	3

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SECTION 2 Total maximum points available		***24***
SECTION 3: Project Readiness		
Planning, design, and construction process	Highest points: Site plan or use permit process identified and approved by County's planning staff. Construction plan and documents (architectural, civil engineering, specifications) are permit-ready and the construction budget is aligned with such plans; ~~site plan or use permit process identified and approved by County's planning staff.~~	3
Public participation process	Highest points: Civic association consulted; appropriate schedule for public participation process in place.	3
Feasibility	Highest points: Demonstrated a feasible plan through the documents/information provided within the loan application package and a reasonably to-be-accomplished milestone schedule.	5
Preservation Project	Highest points: Preservation of projects on currently built property with an existing and expiring affordability deed/covenant restriction or operating subsidy or a market-rate project, to provide affordable housing, with the goal of upgrading the housing quality for existing affordable housing and commitment to an extended affordability period.	5
SECTION 3 Total maximum points available		***16***
SECTION 4: Experience		

Design Team Experience	Highest Points: Design team with extensive (10+ years) experience in green design and construction.	3
General Contractor Capacity and Experience	Highest Points: Selected general contractor demonstrates exemplary track record in projects of similar size, scale, type, and complexity to the proposed project to have delivered similar projects on time, on budget, and to the highest quality standards, while maintaining compliance with applicable industry and environmental regulations.	3
Developer Experience	Highest Points: The applicant submitted documentation of experience as a developer of affordable housing, to include taking projects through a community process and obtaining approvals; receiving Low Income Housing Tax Credits; inclusion on the VHDA experienced developer list; closing on debt and equity financing; history of repayment and obtaining building permits.	5
Project Completion	Highest Points: Proven track record of completing affordable housing projects on budget and on schedule.	3
Property Management	Highest Points: Selected management agent demonstrates successful track record in projects of similar size, scale, type, and complexity to the project proposed, including demonstrated ability to maintain ongoing compliance over the life of a project. Applicant has submitted documentation of proven property management experience, well-maintained, violation-free properties, compliance with occupancy requirements and overall tenant satisfaction in properties managed by the proposed manager.	3

Architect and/or Construction Manager	Highest Points: Selected architect and selected construction manager demonstrates a successful track record in project of similar size, scale, type and complexity to the proposed project and has experience to ensure that proposed design is compliant with all applicable regulations, including environmental, accessibility standards, zoning, and historic preservation. Architect and/or Construction Manager have capacity/experience to provide project oversight to guarantee delivery on time, on budget, and to the highest quality standards.	3
Experience Partnering with Service Providers	Highest Points: 1) Tier One: The applicant has provided a detailed plan for managing and delivering support services to special needs populations based on previous partnering with social service providers and of having provided excellent management and support services to special needs populations ~~Tier One: The applicant submitted documentation of previous partnering with social service providers and of having provided excellent management and support services to special needs populations~~ 2) Tier Two: The applicant has provided a detailed plan for managing and delivering support services to special needs populations ~~The applicant has provided a detailed plan for managing and delivering support services to special needs populations~~	3
Fiscal and Organizational Health and Team Capacity	Highest Points: The applicant is fiscally and organizationally sound, as evidenced by the financial statements. The applicant has the financial and workload capacity to make the project a top priority, execute it as scheduled in terms of time and budget, and based on the information provided, it is reasonable to	3

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	assume that the applicant will be able to develop and manage the project as proposed.	
SECTION 4 Total maximum points available		***26***
SECTION 5: Budget and Leverage		
Sources of Funds	Highest Points: The project financing plan is sound, reasonable, and includes competitive sources. The applicant has submitted firm financial commitments for other sources of financing, shown the financing gap of the project, and demonstrated consistency with accepted underwriting standards. The project proposes to utilize public and private partnerships and utilizes state and federal housing programs to assist in fulfilling unmet housing needs and the financing gap.	5
Uses of Funds	Highest Points: The project budget is clear, accurate, thorough, and contains a realistic set of sources and uses; acquisition costs are at or below appraised value; construction costs are supported by contractor estimates and at or below local industry standard for projects of similar size, type and complexity located in the proposed location or close proximity, and fees and soft costs are reasonable and at or below local industry standard. Applicant presents evidence of maximizing resources to minimize construction costs as possible and within compliance with industry standards.	5
Leverage and Subsidy	Highest Points: The applicant has submitted documentation of strong~~a~~ leverage. Minimum ratio of 1:3 (Fund's sources to other sources)~~ or higher~~.	3

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Developer Participation	Highest Points: Developer contribution equals at least 10% of the Housing Loan Fund request. 50% may come from a seller note.	3
Income	Highest Points: Income projections are reasonable and consistent with rents for targeted households; vacancy rates and other income are reasonable.	3
Operating Costs	Highest Points: Operating costs are consistent with those documented for other recent local similar developments.	3
SECTION 5 Total maximum points available		***22***
OVERALL SCORE TOTAL MAXIMUM POINTS AVAILABLE		**133**

Loan applicant should submit with its loan application, any additional materials, not previously listed, that provide support of the applicant's plan for any of the point scoring categories.

APPLICATION AFFIDAVIT

Submit a signed statement acknowledging certain items below and agreeing that certain components will be provided in the application. Statement must be signed and dated and include the following from the applicant:

1. The application contains a factual description of the project type, size and location; population to be served; proposed design of the buildings; and specific universal design elements that applicant proposes to incorporate into the project.
2. The application contains a factual description of the type of support services and programs the applicant is proposing for the project, if any, with indication of the estimated number of people to be served, the purpose/benefits of the program on a per unit/person basis, the additional operating expenses including in the project associated with such program, and any financial value for the County by having such services and programs.
3. The application contains an explanation of how the proposed project interplays with proffers encumbering the site, if any; and identification of the AHUs that the project provides in addition to the ADUs required under the proffers and/or Article 7 of the Zoning Ordinance.
4. The application indicates the relationship between the loan applicant and the owner of the project site and certifies that no relationship exists between the loan applicant and the seller of the project site, except as shown in this application.
5. The application contains an explanation of whether or not the community surrounding the proposed project is engaged with the project, with indication of meetings with neighbors and surrounding civic association; the level of support and letters of support, if any; as well as the strategy and timeline in case outreach to the community is pending at time of loan application.
6. The application contains a description of how the repayment of the County loan will be prioritized, with identification of the total amount of funds to cover gaps in the planned financing that are being requested from the County, and how such funds will be used as well as the plan for maximizing resources and minimizing costs.
7. The application contains a list of all additional funding, not secured at the time of the application, for which the applicant is seeking from non-County sources contingent and after award of tax credits, including the name of the funding entity, type of funding, and projected application and award dates.
8. The loan applicant understands and agrees that if being financed by LIHTC (4% or 9% projects) it shall provide to the County, within 10 business days of submission to either VHDA or HUD, as applicable, a copy of the project's VHDA/HUD application for reservation, including score sheet and attachments; a copy of an updated tax credit application after VHDA/HUD releases its annual update of the reservation and attachment materials; and a copy of applicant's application submitted to VHDA, including all attachments.

9. The loan applicant understands and agrees that it shall provide to the Department of Family Services within 10 business of producing it, the final sources and uses, budget and proforma of the project.
10. The loan applicant understands and agrees that all developments will receive a physical inspection upon receipt of occupancy permits, and that the County may request physical property inspections at any time during the life of the loan, upon 15 business days' notice, unless an emergency at the County's discretion.
11. The loan applicant understands and agrees that during the life of the loan, property managers shall send to the Department of Family Services any documentation or reports submitted to VHDA or HUD, as applicable, within 10 business days of such submission, to include among others: monthly operating summary, annual owner/agent financial statements, annual budget documents, annual project information report, and annual owner certifications.
12. The loan applicant understands and agrees that during the life of the loan, the County may request and shall get from borrower on a year by year basis the 12-month operating budget and reports showing total gross revenue, total operating expenses, total debt service payments, payments into the replacement reserve, as well as calculation and amount of County loan repayments.
13. The loan applicant understands and agrees that it must submit to the Department of Family Services, within 10 business days of their receipt, their accepted contractor bid for the construction of the project, and within 3 months from completion of construction and issuance of occupancy permits for all rental units, evidence of the actual cost of development and construction of the project.
14. The loan applicant understands and agrees that during the life of the loan, the County may request and the applicant shall provide among others the following documents/records with respect to any affordable unit in the project: copies of each tenant's file, rental application, executed rental agreement (lease), rental income-restricted unit income certification form with supporting documentation, annual rental occupancy affidavit, and/or income verification.
15. The loan applicant hereby certifies that the information set forth in this application is true, correct, and complete.

~~1.~~16. The loan applicant understands and agrees that the information in this application may be disseminated to others for purposes of verification or other purposes consistent with the Virginia Freedom of Information Act. However, with the exception of the Virginia Freedom of Information Act, all information will be maintained, used or disseminated in accordance with the Virginia Privacy Protection Act. The loan applicant may refuse to supply the information requested, however, such refusal will result in the County's inability to process the application. The original or copy of this application may be retained by the County, even if the loan is not made.

Multifamily Loan Programs in neighboring jurisdictions

Arlington County

Arlington County's Affordable Housing Investment Fund provides up to $85,000 per unit in funding, and allows for consideration for costs exceeding $85,000 per unit if projects include a 3rd party land purchase, are within the metro corridor as defined in General Land Use Plan, serve very low-income or special needs households, or use concrete and steel construction.

The program encourages a deferred developer fee of 50% and a developer contribution that is at least 10% of the request to the County.

City of Alexandria

The City of Alexandria operates a multifamily loan program with few strict parameters and no funding maximum. They take proposals anytime but most requests are related to applying for Low Income Housing Tax Credits from the Virginia Housing Development Authority (VHDA). In 2012, the city was providing funding at a $30,000 to $40,000 per unit level. Now the city is typically providing funding at a $100,000 per unit level. The city's most recent award was for $9 million. They are seeing all costs increasing, and attribute some of the growing expense to the need for underground parking and land costs.

The city charges 2% interest on the loans; the loans are repaid through residual receipts so the city does not see the start of repayment until at least year 10, though it's usually even later. They do ask all projects to defer the developer fee and agree to a 40 year affordability period. The city also provides predevelopment financing, at $5,000 a unit, which they essentially grant to the projects.

Alexandria is exploring how to make the loan funds go farther and preserve existing affordable housing by allowing additional density. The city also created a local rent subsidy program to help stretch loan program funds.

Frederick County, Maryland

Frederick County does not have a per-unit funding maximum and negotiates funding on a deal by deal basis. Their program description gives them broad parameters in terms of funding amounts. Typically loans are structured on a 40 year term at 2% interest. They base their funding decisions on cost and populations served, balancing out efficiencies with meeting priority housing needs like seniors and persons with disabilities, in which cases they are willing to fund above historic program levels.

County Loan funds are always provided as gap financing for the deals AFTER credits are awarded. Most developments funded through the County loan program also get the PILOT and impact fee waivers. Payments in Lieu of Tax ("PILOT") Program provides for the payment of a negotiated amount in lieu of payment of Frederick County real property tax on an approved housing development, either new construction or rehabilitation, that provides rental housing for low or moderate income citizens.

Prince William County

Prince William County has a housing development program with a minimum per unit subsidy level of $20,000 and a maximum per unit subsidy level of $225,000 per unit. This Community Development Housing Initiatives Program uses Community Housing Development Initiative funds that were awarded to the Prince William Community Services Board and are intended to subsidize the capital costs associated with developing rental units dedicated to housing individuals with developmental disabilities covered under the commonwealth Settlement Agreement. The intent is to make capital loans and grants to housing providers to support the development of affordable and accessible housing that will be set-aside to support individuals with developmental disabilities within the Department of Justice target population. The program is for existing housing with a maximum funding level of $2.4 million per property.

Table 1. Per unit funding

Jurisdiction	Max. per unit funding
Prince William County	$225,000
Arlington County	$85,000
City of Alexandria	No cap
Frederick County, MD	No cap

County of Loudoun
Affordable Multi-family Housing Loan Program Guidelines

Adopted July 3, 2018

Attachment 5

AFFORDABLE MULTI-FAMILY HOUSING LOAN PROGRAM GUIDELINES

Purpose

The fundamental purpose of the Affordable Multi-family Housing Loan Program (Program) is to increase the supply and retention of affordable multi-family rental housing units in Loudoun County (County) to support housing for County citizens and the workforce, which is critical to the County's economic development, by providing financing in accordance with these Guidelines (Guidelines). The Guidelines are established to enable the County to provide gap financing in affordable housing projects to encourage private investment to address the unmet housing needs of County citizens and workers, and to guide the processing and approval of loans.

Within the Program, and in addition to loans, the County may also offer other non-cash County services or benefits, including but not limited to commitment to donate public land or buildings or reduction on County fees.

Use of the Program Loans

The purpose of the program is to provide loans to finance affordable, rental housing within the County to help address the unmet rental housing needs of County households earning 60% or less of the Area Median Income (AMI). Loans shall be provided to finance units in excess of the minimum number of Affordable Dwelling Units (ADU) necessary to satisfy the requirements of Article 7 of the Zoning Ordinance. The County of Loudoun Board of Supervisors (Board), through the Program, serves as a gap lender. Loans are intended to provide assistance to developers with gap financing, not to pay the entire cost of project development. For purposes of the Program, the term Affordable Housing refers to households earning 60% AMI or lower.

The Program may provide loans to assist funding the following types of projects:

> 1) Multi-family affordable rental housing units in the County developed pursuant to the Virginia Housing Development Authority (VHDA) Low Income Housing Tax Credit (LIHTC) program (VHDA LIHTC) or a U.S. Department of Housing and Urban Development (HUD) 221(d)(4) Affordable program that meets the definition of Affordable Housing included in the HUD Multifamily Accelerated Processing (MAP) Guide, Revised January 29, 2016, as amended, from the Office of the Assistant Secretary for Housing -FHA Commissioner (HUD 221(d)(4) Affordable), as applicable, or

2) Multi-family affordable rental housing in the County with units for the benefit of households within the income and the rental limits defined by sections 1450.03 (b) and 1450.07, respectively, of [Chapter 1450 of County Ordinances](). [1]

The Program will assist funding the construction, rehabilitation, and/or preservation of affordable rental housing in the County, at the discretion of the Board. The following are the eligible uses of the loans:

- Construction of affordable units. Construction refers to development of new multi-family housing structures.
- Rehabilitation/Renovation of affordable units. Rehabilitation/Renovation is defined as repairs, improvements, replacements, alterations, and additions to existing properties, and the labor, materials, tools, and other costs of improving buildings, other than minor or routine repairs. This term includes renovation that involves costs of 75 percent or less of the value of the building before rehabilitation. Loans may be made for all levels of renovation—minor, moderate, and substantial, and include adaptive reuse, use conversion from nonresidential to residential.
- Real estate acquisition directly linked to preservation, construction or rehabilitation/renovation of affordable units. Preservation requires ensuring the long term and ongoing availability of affordable rental units on currently built property.

The Program may not be used to finance the following non-eligible items:

- Operating expenses
- Social services
- Project reserves
- Hard or soft cost contingencies
- Developer fees
- Pre-development costs
- Builder's profit or overhead
- Architect administration
- Syndication related costs
- Construction management fees

[1] These programs are referenced in the Amended and Restated County of Loudoun Housing Trust (Trust), Article 7 (Affordable Dwelling Units, ADU) of the Loudoun County Zoning Ordinance, and Chapter 1450 of the County Codified Ordinances as eligible for County financial support from the Trust. Article 8 of the Loudoun County Zoning Ordinance defines Affordable Dwelling Unit and Affordable Housing Unit. (Articles 7 and 8 can be viewed here: https://www.loudoun.gov/DocumentCenter/View/99645 .
Amended and Restated County of Loudoun Housing Trust approved by the Board on July 20, 2018 can be viewed here: https://lfportal.loudoun.gov/LFPortalinternet/0/fol/195869/Row1.aspx?dbid=0&startid=195869&row=1
Sections 1450.03 (b) and 1450.07 of Chapter 1450 of County Ordinances

- Development/financing consultant fees, or fees for other non-development related services, including funded guarantee or reserve accounts required by lenders or investors
- Units for rent at market rate
- Financing fees

Loan applications for a mixed income project (projects that include rental units to benefit households with income higher than 60% AMI) or a mixed use project could be considered as long as the loan applicant demonstrates in the loan application materials (particularly the development and operating budgets) that any resource from the Program will only be allocated toward costs associated with affordable housing uses and units eligible to be funded by the Program.

A mixed income or mixed use proposal means a project that provides both affordable housing and market rate units for rent. Market rate non-eligible units and uses must be identified in the loan application but shall be segregated out of the budget. The sources side of the budget must show what portion of each source is allocated to eligible and to ineligible uses. The budget in the loan application must show the following: Eligible uses (line by line, and total); ineligible uses (line by line, and total); total uses; sources allocated to eligible uses; sources allocated to ineligible uses; total sources. In summary, the loan applicant must be able to show that the portion of the building that is ineligible for financing from the Program can be financed without the Board's assistance. A loan applicant cannot divert resources from a source that is generated by income from eligible uses or eligible cost basis to finance ineligible costs or expenses, thereby creating a larger funding gap.

Eligible Loan Applicants

Eligible loan applicants include non-profit and for-profit affordable housing developers that propose to incorporate long-term affordable rental housing into a multi-family residential development within the County. All applicants must have demonstrated capacity, experience developing products similar to that proposed and with acceptable credit histories.

Funding Availability

The Program is funded by appropriations from the Board out of the County of Loudoun Housing Trust (Trust). The Program is available to developers of affordable rental housing through an annual competitive loan application process. Every year, not later than May 1, the Department of Family Services will publish on the County's website, a Notice of Availability disclosing the loan application schedule for the same year and any other requirement specific to that year.

In order to be considered, complete loan applications must be submitted by 5:00 p.m. EST on the first business date in October as set forth in the Notice of Availability. The Board will decide whether to provide a loan based on consideration of the applications not later than the second regular business meeting of the Board in February of the following year.

EQUAL HOUSING OPPORTUNITY

Resources in the Program are not specifically derived from local tax revenues and cannot be predicted, thus, the balance in the Program is viewed as discreet and finite. The Board's objective is to provide the greatest affordable housing benefit to the public and maximize the utilization of resources in the Program while preserving it as a funding source for the long-term; creating, if possible, a more predictable revenue stream. The Board will allocate resources to assist affordable rental housing projects while preserving sufficient funds to sustain, promote, and advance the goals of the County's affordable housing programs for the long-term. Should the Board deem the balance in the Program insufficient to meet the County's long term housing policy goals, loan availability may be withdrawn at the Board's discretion. The Board, upon recommendation from County staff, will consider whether to concentrate funding within the same group or related parties based on an evaluation of business risk to the County. For projects to be developed pursuant to VHDA LIHTC or HUD 221(d) (4) Affordable programs, the County will commit to loans from the Program contingent upon the loan applicant obtaining VHDA LIHTC and/or HUD 221 (d) (4) Affordable approvals, as applicable.

Loan Application Review Criteria

The Program is available to developers of affordable rental housing for rent through an annual competitive loan application process. Funding decisions will be made based on the merits of each loan application as graded in accordance with the Affordable Multi-family Housing Loan Program Criteria and Scoring Guidance (Program Scoring Guidance), and the availability of resources in the Program as per the Notice of Availability. Loans may be approved by the Board for less than the full amount requested in the loan application. Highest consideration will be given to loan applications that demonstrate, based on information provided in the loan application that the project will rehabilitate, construct and/or preserve the greatest number and highest quality of affordable units to serve County households at the greatest need in the most economically sustainable way.

Off cycle is defined as the timeframe between March 1 and August 15. Off-cycle applications will only be considered for "time-sensitive third party acquisition", which for the purposes of the Program means real estate currently listed on the open market, or to be listed on the open market in the immediate future. An applicant applying to be considered out-of-cycle shall present a letter to the County (see paragraph 11 of Application Process below) with information about the project (location, units, price) and documentation of time sensitivity (listing or letter from owner). The letter shall describe why an in-cycle application would preclude the ability to purchase. Off-cycle applications require approval from the Board before they begin the review process.

The County reserves the right to disqualify any project for justifiable reasons that were not contemplated when these Guidelines or the Program Scoring Guidance were established.

Gap Financing

The Board serves as a gap lender. Loan applicants must demonstrate that they have maximized all other financing sources before requesting a loan from the Program. The amount of the loan cannot be higher than the minimum amount necessary to make the affordable rental housing project feasible. The gap financing will be calculated as the difference between the total financing available for the affordable rental housing project, including equity investment, and the total development costs of the same affordable rental housing project. The loan applicant shall structure the loan request so as to maximize the long-term affordability and sustainability of the affordable rental housing project receiving assistance from the County, as well as to encourage opportunities that include project participation from other public and private funding sources. A priority for the Board in awarding the competitive loan is the ability of the developer to leverage the County's funds to secure private investment and other federal, state, and local sources of financing.

Rent Restrictions

During the compliance period, which shall last at least 15 years after closing of the loan plus the extended affordability period agreed to by the borrower (minimum additional 15 years), the project shall include the following rent restrictions:

- The gross rent, including utilities, with respect to such unit does not exceed 30 percent of the imputed income limitation applicable to such unit size;
- The monthly rent of the affordable rental units will be restricted in accordance with rent limitations imposed by the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, as applicable, or by a declaration of covenants for affordable units offered for rent for the benefit of households with the income and the rent limits as defined by Chapter 1450 of County Ordinances;
- The affordable rental units will be offered for rent for the benefit of households with an income of 60% AMI or less in accordance with the income limitations and eligibility requirements imposed by the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, as applicable, or by a declaration of covenants for affordable units offered for rent for the benefit of households with the income and the rent limits as defined by Chapter 1450 of County Ordinances.
- The rental units that do not qualify herein as affordable housing, but qualify as affordable in accordance with the VHDA LIHTC program and/or the HUD 221(d)(4) Affordable program, will be offered for rent in accordance with income limitations and eligibility requirements imposed by those programs, as applicable.
- A mixed income or mixed use project must at least comply with rent restrictions and income limitations required by VHDA LIHTC or HUD 221(d)(4) Affordable program, as applicable, and the loan will be made to support the affordable rental units only.

Loan Application Package

The loan applicant is required to provide a complete loan application package by 5:00 p.m. EST on the first business day in October as set forth in the Notice of Availability. The loan application package shall contain any material documents, records, or other information deemed necessary by the loan applicant to be necessary for the County staff and the Board to review and grade the loan application. The loan application package must contain the following:

1. 4 physical (1 original and 3 copies) and 1 electronic copy of loan application and attachments;
2. Based on the information provided in the loan application, a short, one-page statement of facts that explains why in the loan applicant's opinion the project will rehabilitate, construct, and/or preserve the greatest number and highest quality of affordable rental units to serve County households of the greatest need in the most economically sustainable way. Statement must be signed and include the required certifications (see Item 2 of the Application Requirements, page 14);
3. $500 non-refundable loan application fee;
4. Loan applicant's organizational chart, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;
5. Organizational chart of the project developer, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;
6. Organizational chart of the proposed affordable housing project management, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership;
7. Operating or partnership agreement of ownership entity;
8. One-page resume of each principal named in the above organizational charts, and of each key manager of entities listed in the above organizational charts in charge of development and management of the project;
9. Disclosure of each principal's (named in the above organizational charts) participation on previous or same year affordable housing applications within or outside the County;
10. Virginia State Corporation Commission's certification of good standing of ownership entity, developer and manager entities. If a single purpose entity is the owner, certificate of good standing of the member(s), manager(s), managing member(s), shareholder(s) or partner(s) of such entity, as applicable; section 501(c)(3) Determination Letter, if a non-profit organization;
11. Applicant financial statements as required to be submitted to VHDA and/or the HUD 221 (d)(4) Affordable programs.
12. Letter from each member of the loan applicant's team certifying, including but not limited to those listed in 4, 5, and 6 above, that he/she is not or has not been debarred from participation in any federal program nor have any unresolved default or noncompliance issues with the County of Loudoun or the Commonwealth of Virginia;
13. Site control documentation, which should reflect at least the right to acquire or lease the site pursuant to an executed, valid and binding written option or contract between the applicant and the fee simple owner of such site;

14. Architectural concept plan and design, including interior and exterior materials to be used. For projects that involve rehabilitation/renovation of existing buildings, a capital/physical needs assessment or a property conditions needs assessment is also required;
15. Construction cost estimate;
16. Project architect's certification of registration in Virginia;
17. Environmental site assessment, when the project will be accompanied by a Project-Based Voucher application;
18. Zoning approval, including special exception, if any, that demonstrate that the proposed development is a matter of right;
19. Relocation assistance plan for existing and occupied buildings that result in the displacement of current occupants;
20. Project development budget in the form of sources & uses of funds;
21. 30-year operating pro forma (including aggregate & per unit amounts);
22. Tax credit calculations, if applicable;
23. Letters of intent or interest for all funding sources identified in the loan application, if available. At a minimum, a narrative of all proposed funding sources and amounts must be provided;
24. Loan applications proposing projects developed using the LIHTC and/or HUD 221(d)(4) Affordable programs must present a plan for the project that addresses the period after the initial 15 year compliance period, which clearly describes the exit strategy for the limited partner and the anticipated ownership changes; any anticipated refinancing, re-syndication, or sale to a third party; and how affordability will be maintained through the 30-year extended affordability period.

If not available at the time of submission of the loan application package, the following documents will be required before final review of the loan application and as a condition of loan approval:

1. Appraisal of proposed site (not older than one year) containing "as-is" or "as-built" or "as complete", as applicable if vacant or built, and "as-built or as-complete with restricted rent and income" and "as-built or as-completed and unrestricted income" valuations;
2. Market study of the housing needs of low income households in the area to be served by the project demonstrating demand for the specific type of affordable rental housing proposed in the project; and
3. Environmental Site Assessment when the project will *not* be accompanied by a Project-Based Voucher application.

At a minimum, the following items must be estimated in the loan application and managed throughout the life of the loan, if approved, in accordance with the requirements of the VHDA LIHTC and/or the HUD 221(d) (4) Affordable programs. In addition to such minimum requirements, other requirements requested by the primary lender and accepted by the loan applicant will also apply to the following items:

EQUAL HOUSING OPPORTUNITY

- Operating reserves;
- Contingency amount;
- Developer fees and other fees in the development budget;
- Operating expenses;
- Reserve for replacement deposits;
- Vacancy rate;
- Minimum design and construction requirements.

The obligation of the loan applicant to provide documents, records, or other information requested by the County in order for the County to review the application continues throughout the loan application review process The obligation of the borrower to provide documents, records, or other information relevant and material to the loan (e.g. final commitment letters from all funding sources; updated income/expense, uses/sources, pro forma; fee simple site control documentation; and updated partnership agreement of ownership entity among others) continues throughout the closing of the loan and monitoring phases, whether or not the County has made the request.

Construction or Rehabilitation/Renovation Costs and Acquisition Price

The construction or rehabilitation/renovation costs of the project to be partially financed with the loan must be within a reasonable range for the proposed scope of work. Construction or rehabilitation/renovation costs include all work, including site development, associated with the physical development of the project, together with the builder's overhead and profit, but not including architectural and engineering costs or other fees related to design and permitting. The construction contingency should be factored when calculating the construction or rehabilitation costs of the project.

For projects that involve acquisition of real property, the purchase price may not exceed the lesser of the sale contract price, the "as is" appraised value of the property, or the fair market value as assessed by the County's Commissioner of the Revenue.

Funding per Project

The loan amount is based on the number of units provided in excess of the ADU requirements of Article 7 of the Zoning Ordinance, at a maximum rate of $30,000 per affordable unit, contingent on the demonstrated gap financing needed for the loan and the availability of resources in the Fund. At the Board's discretion, for affordable rental housing projects that offer units benefitting households with incomes at 50% AMI or less, the rate per unit may be greater than $30,000, depending upon the demonstrated funding gap and Program funding availability.

Interest Rate

Interest rates on the loan will be simple interest at a fixed rate of interest equal to the 10-year Treasury bill rate, as set 60 days prior to closing of the County loan. The Board may request additional commitments from the borrower (such as longer affordability commitment beyond thirty-years) in exchange for a half a point lower interest rate.

Loan Collateral/Security

The loan must be instrumented as a promissory note payable to the County, secured by a deed of trust on the property where the proposed affordable rental housing project is located; the notes and respective deed of trust will be subordinated only to the primary lender, and at all times with a secured priority no lower than second position with respect to any lender. The deed of trust will have a non-recourse clause.

In cases where the project involves a ground lease, the County may, at the discretion of the Board, subordinate the loan to the fee owner under the lease agreement. In cases where the loan applicant demonstrates that a bridge loan is required to make the project feasible, the Board may accept-in its own discretion, that the loan be subordinated to a third position, based on a recommendation by the County Administrator and supported by the County Attorney, if there is equivalent collateral to protect the interest of the County.

Along with the deed of trust, the borrower must execute a declaration of covenants, in a form suitable for recordation among the land records of the Loudoun County Circuit Court, providing that the number of affordable rental units financed with the loan shall remain subject, for at least the entire period during which the loan remains outstanding, to the income eligibility requirements and rent price restrictions and limitations prescribed by the VHDA LIHTC program, the HUD 221(d)(4) Affordable program, or Article 7 of the Zoning Ordinance and Chapter 1450 of County Ordinances, as applicable.

Equal Housing Opportunity

All projects receiving loans from the County must comply with applicable Equal Housing Opportunity and Fair Housing laws.

Loan Repayment Schedule

The County will approve loan terms where repayment is feasible and does not jeopardize the long-term affordability and sustainability of the proposed affordable housing project. Long-term affordability means not less than a fifteen (15) year compliance period plus the extended affordability period agreed to by the borrower. Loan applicants must demonstrate the ability to repay the loan based on the terms of the loan. Length of the loan shall not exceed the length of the project affordability period and the rent restrictions shall apply while the loan funding is outstanding. The affordability period will not be shortened or the affordability covenants will not be released should the loan be paid off ahead of schedule. The loan will be due and payable in the event of a sale or refinance of the project, unless the Board, at its discretion, previously agrees to the transaction. Notwithstanding, the County will not call the loan due and payable if the sale or refinance of the project, as applicable, will be the result of a restructuring agreement between the developer/operator/manager of the project and VHDA or HUD, as applicable, as long as (i) the County is informed in advance by the developer/operator/manager of the project of their reaching out to VHDA or HUD and (ii) the secured priority of the County's loan remains intact with respect to any lender.

Repayment terms may be under one, or a combination of structures to include amortization or payments equal to 75 percent of net cash flow, but no more than the amount that would be due on a 40-year amortizing loan. Net cash flow shall specifically include, but not be limited to, the amount by which gross revenues exceed annual debt service payments, approved operating expenses, and payments to the replacement reserve. Any other fees or payments in excess of what is stated here must be paid from the applicant's portion of residual cash flow. If an applicant can demonstrate that the 75/25 cash flow split makes the project infeasible or otherwise negatively impacts both the project and the Board's investment, a justification for a different split (no lower than 50/50), including repayment of deferred developer fee ahead of the Board, may be submitted to the Board for consideration. The Board may require an additional affordability commitment beyond the thirty-year affordability commitment in exchange for a reduced net cash flow split.

Regardless of the structure of the loan, the County expects and requires repayment of the loaned amount in full. The outstanding balance of the loan (principle and accrued interest) is due at the end of the loan term. The length of the loan shall not exceed 40 years at any point in time. Under special circumstances, at the discretion of the Board, loan terms may be extended to meet specific requirements, such as those associated with HUD 221(d)(4) Affordable program financing.

LIHTC Initial Compliance Period Specific Requirement

All loan applicants proposing projects developed using the VHDA LIHTC and/or HUD 221(d)(4) Affordable program must present a plan for the project that addresses the period after the initial 15 year compliance period.

The plan must clearly describe the following:

- Exit strategy for the limited partner and anticipated ownership changes;
- Any anticipated refinancing, re-syndication, or sale to a third party;
- How affordability will be maintained through the extended affordability period.

Loan applicants must agree to maintain affordability for 30- years (to include the first 15 year compliance period and a minimum 15 year extended affordability period) by waiving the right to seek a qualified contract for project purchase at the end of the 14th year of the compliance period.

Administrative Fee

There will be a $500 non-refundable administrative fee, payable at the time of submission of the loan application, to partially recover costs to process and underwrite such loan application.

Project Monitoring

The County has the right to inspect and monitor the affordable rental housing project, including gaining access to the management and financial records of the borrower and VHDA LIHTC and HUD required reports to determine compliance with household income and rental restrictions, restrictive covenants, and terms and conditions of the loan. The requirement to provide information continues throughout the term of the loan and includes any documents requested by the County to support calculations of residual receipts, reporting to other lenders or investors, and any other document, report, or information relevant and material to the loan, whether or not the County has requested it.

Application Process

1. All funding decisions will be at the discretion of the Board. The loan application process will be managed by the Loudoun County Department of Family Services, Division of Housing and Community Development, assisted by other County staff to include staff from the Departments of Planning & Zoning, Economic Development, Finance & Procurement, and the County Attorney's Office. Other County staff may be asked to participate depending upon the specific attributes of the affordable rental housing proposal.

2. Applications are due by 5:00 p.m. EST on the first business day in October of each year as advertised in the Notice of Availability.

3. Loan approval will be based upon project scoring, which has been designed to measure the affordable housing project and its overall value to increase the County's affordable housing supply.

4. At least 45 days in advance of the deadline to submit loan applications, for information purposes and to respond to questions, County staff will conduct a pre-application meeting with all prospective loan applicants at a date and time indicated in the Notice of Availability.

5. A complete loan application **<u>must</u>** be submitted by the October deadline in order to be considered in that year's loan application cycle. Each loan cycle is independent and loan applications submitted during one year will not carry over to the next year.

6. Loan applications will be reviewed for completeness and date stamped. Once the loan application is submitted, the loan applicant will receive written confirmation of receipt of the application and will be notified within 10 business days by the Department of Family Services of loan application completeness. Once a loan application has been submitted to the County, it cannot be changed, modified, or supplemented by the loan applicant, except when the loan applicant receives a written request from the Department of Family Services to provide a new document or record.

7. A professional underwriter, under contract with the County, will evaluate the loan application for risk and will work in conjunction with County staff.

8. Each loan applicant with a complete application will have the opportunity to provide a presentation of their application during the review process at the direction of the County staff.

9. The County staff will grade and rate each loan application based on the Guidelines and the Program Scoring Guidance and, in conjunction with the underwriter, will develop a written recommendation to the Finance/Government Operations and Economic Development Committee (FGOEDC) of the Board regarding each loan application, within a 45 calendar day review process after the loan applicant's receipt of a letter of acceptance of a complete loan application. The FGOEDC Committee will present its recommendation to the Board within 60 calendar days.

10. Final funding decisions are made by the Board, not later than the second regular business meeting of the Board in February of the year following the publication of the Notice of Availability. Approved loan(s) will be available for closing within thirty (30) business days after the Board's approval.

11. An applicant must submit 1 original and 3 hard copies of the loan application, including attachments, as well as an electronic copy via email, including attachments. The loan application shall be mailed or electronically delivered to:

    Department of Family Services
    Attn. Sarah Coyle Etro, AICP
    Assistant Director
    Division of Housing and Community Development
    102 Heritage Way, N.E.
    Suite 103
    Leesburg, VA 20176
    sarah.coyleetro@loudoun.gov

EQUAL HOUSING OPPORTUNITY

COUNTY OF LOUDOUN
AFFORDABLE MULTI-FAMILY HOUSING LOAN PROGRAM
APPLICATION ELIGIBILITY REQUIREMENTS

ALL ITEMS LISTED BELOW MUST BE INCLUDED WITH THE LOAN APPLICATION. INCOMPLETE APPLICATIONS WILL BE REJECTED.

THE COUNTY WILL NOT ACCEPT REQUIRED DOCUMENTS AFTER THE SUBMISSION DEADLINE

<u>**FOR OFF-CYCLE LOAN APPLICATIONS PLEASE REFER TO SECTION LOAN APPLICATION REVIEW CRITERIA IN THE GUIDELINES**</u>

Item	Provided (Y/N)
1. Four physical (1 original and 3copies) and one electronic (e-mail) copy of the loan application and attachments.	
2. Based on the information provided in the loan application, submit a short, one page statement of facts that explains why in the applicant's opinion this project will rehabilitate, construct, and/or preserve the greatest number and highest quality affordable rental units to serve County's households at the greatest need in the most economically sustainable way. Statement must be signed and dated and include the following statements from the applicant: 1. The loan applicant hereby certifies that no relationship exists between the loan applicant and the seller of the project site, except as shown in this application. 2. The loan applicant hereby certifies that the information set forth in this application is true, correct, and complete. 3. The loan applicant understands and agrees that the information in this application may be disseminated to others for purposes of verification or other purposes consistent with the Virginia Freedom of Information Act. However, all information will be maintained, used or disseminated in accordance with the Virginia Privacy Protection Act. The loan applicant may refuse to supply the information requested, however, such refusal will result in the County's inability to process the application. The original or copy of this application may be retained by the County, even if the loan is not made.	

EQUAL HOUSING OPPORTUNITY

3. $500 loan application fee (non-refundable).	
4. Loan applicant's organizational chart, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
5. Organizational chart of the project developer, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
6. Organizational chart of the proposed affordable housing project manager, including ownership structure identifying corporate/partnership membership in levels to show individuals' names rather than entities as ultimate owners, with percentage of interest by each level of ownership.	
7. Operating or partnership agreement of ownership entity.	
8. One page resume of each principal named in the above organizational charts, and of each key manager of entities listed in the above organization charts in charge of development and management of the project.	
9. Disclosure of each principal's (named in the above organizational charts) participation on previous or same year affordable housing applications or project within or outside the County.	
10. Virginia State Corporation Commission's certification of good standing of ownership entity and developer and manager entities. If a single purpose entity is the owner, certificate of good standing of the member(s), manager(s) or managing member(s), shareholder(s) or partner(s) of such entity, as applicable; section 501(c)(3) Determination Letter, if a non-profit organization.	
11. Applicant financial statements as required and submitted to VHDA and/or the HUD 221 (d)(4) Affordable programs.	
12. Letter from each member of the loan applicant's team, including but not limited to those listed in 4, 5, and 6 above, certifying that he/she is not or has not been debarred from participation in any federal program nor have any unresolved default or noncompliance issues with the County of Loudoun or the Commonwealth of Virginia.	
13. Site control documentation, which should reflect at least a seller and buyer executed binding purchase agreement.	
14. Architectural concept plan and design, including interior and exterior materials to be used. For projects that involve rehabilitation/renovation of existing buildings, a capital/physical needs assessment or a property conditions needs assessment is also required.	

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15. Construction estimate.	
16. Project architect's certification of registration in Virginia.	
17. Environmental site assessment<u>, when the project will be accompanied by a Project-Based Voucher application.</u>	
18. Zoning approval, including special exception, if any, that demonstrates that the proposed development is a matter of right.	
19. Relocation assistance plan for existing and occupied buildings that result in the displacement of current occupants.	
20. Project development budget in the form of sources & uses of funds (provided in Excel format).	
21. 30-year operating pro forma (including aggregate & per unit amounts) (provided in Excel format).	
22. Tax credit calculations, if applicable (provided in Excel format).	
23. Letters of intent or interest for all funding sources identified in the loan application, if available. At a minimum, a narrative of all proposed funding sources and amounts must be provided.	
24. Loan applications proposing projects developed using the LIHTC and/or HUD 221(d)(4) Affordable program must present a plan for the project that addresses the period after the initial 15 year compliance period, which clearly describes the exit strategy for the limited partner and anticipated ownership changes; any anticipated refinancing, re-syndication, or sale to a third party; and how affordability will be maintained through the extended affordability period.	

If not available at the time of submission of the loan application package, the following documents will be required before final review of the loan application and as a condition of loan approval:

1. Appraisal of proposed site (not older than one year) containing "as-is" or "as-built" or "as complete", as applicable if vacant or built, and "as-built or as-complete with restricted rent and income" and "as-built or as-completed and unrestricted income" valuations;
2. Market study of the housing needs of low-income households in the area to be served by the project demonstrating demand for the specific type of affordable rental housing proposed in the project; and
3. Environmental site assessment, when the project will *not* be accompanied by a Project-Based Voucher application.

Loan applicant may submit along with the loan application package any other document that the applicant considers material to its loan application. The County may request, at County's discretion, the submission of additional documents or information necessary to better inform the County of the terms of the affordable housing proposal.

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County of Loudoun Affordable Multi-family Housing Loan Program Criteria and Scoring Guidance

Criteria	Scoring Guidance	Max. Points Available
SECTION 1: Consistency with Countywide Housing Needs		
Commitment Period	Highest Points: 60 + years commitment to maintaining affordability of units consistent with targeted households as proposed.	5
Affordable Units below 60% AMI	Highest Points: Ten percent or more of the project units provide housing for extremely low income (30% AMI or less) households.	5
Affordable Units for Persons experiencing homelessness	Highest Points: Ten percent or more of the project units provide housing for households or persons experiencing homelessness or with history of chronic homelessness.	5
Size of the units	Highest Points: Forty percent or more of the project units are family- sized units of 3 bedrooms or more, or entry-level worker units of 1 bedroom or studios.	5
The project provides housing for older adult residents.	Highest Points: Twenty percent or more of the project units are senior housing, with 100% of the units for older adults being fully accessible, 504 compliant, and meeting requirements of ADA and ANSI A117.1.	5
The project provides housing for persons with disabilities.	Highest Points: Twenty percent or more of the project units are housing for persons with disabilities, with 100% of those units fully accessible, 504 compliant and meeting requirements of ADA and ANSI A117.1.	5

Transportation	Highest Points: Proposed project is located within walking distance (approximately .25 mile) to public transportation.	5
Permanent Supportive Housing Units	Highest Points: At least ten percent of the project units are Permanent Supportive Housing units for individuals with a history of chronic homelessness with a disability with 100% of the units fully accessible,504 compliant and meeting requirements of ADA and ANSI A117.1. Permanent Supportive Housing is funded using sources different from County's social programs, applicant has provided a Supportive Services Plan, the supportive service provider is a registered 501(c)(3) not-for-profit organization, and the Plan complies with applicable regulations.	5
Geographic distribution	Highest Points: The project is located within the Urban Policy Areas, the areas surrounding the Silver Line Metro stations and along Route 7 and Route 28 interchange, redevelopment and infill areas, or an incorporated Town.	5
SECTION 1 Total maximum points available		***45***
SECTION 2: Project Design		
Universal Design	Highest Points: The project applies Universal Design principles to allow the built environment to be usable by people of all ages and abilities, and promotes the ability for people to age in place.	5
Building Innovation	Highest Points: The project incorporates green building standards such as, but not limited to, Passive House, Living Building Challenge and EnergyStar Certification;	3

	LEED or EarthCraft certification with ongoing energy use tracking, uses energy efficient design and construction principles; promotes high performance and sustainable buildings, and minimizes construction waste and other negative environmental impacts.	
Rehabilitation/Renovation projects	Highest Points: The project provides for adaptive re-use of existing unused, or underutilized structures or materials.	5
Amenities	Highest Points: The project will provide on-site amenities that could include, but not be limited to community meeting room, outdoor playground, swimming pool, green space, community garden, etc.	3
Location within the Community	Highest Points: The project will be located within walking distance (approximately .25 mile) of existing employment opportunities, public schools, and other amenities that could include, but not be limited to library, hospital, food store, park, community center,	5
Mixed-Income or Mixed Use Project	Highest points: Affordable housing projects that include no more than twenty percent of market-rate units, as long as the affordable units are distributed throughout the project in all floors and sections so as not to concentrate the affordable units in any one area of the development/building. Multifamily buildings must have a shared entrance, and applicant has demonstrated that market-rate units are fully financeable without Fund participation and that no subsidy source for affordable housing is directly or indirectly financing the market-rate units.	3
SECTION 2 Total maximum points available		***24***

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SECTION 3: Project Readiness		
Planning, design, and construction process	Highest points: Construction plan and documents (architectural, civil engineering, specifications) are permit-ready and the construction budget is aligned with such plans; site plan or use permit process identified and approved by County's planning staff.	3
Public participation process	Highest points: Civic association consulted; appropriate schedule for public participation process.	3
Feasibility	Highest points: Demonstrated a feasible plan through the documents/information provided within the loan application package and a reasonably to-be-accomplished milestone schedule.	5
Preservation Project	Highest points: Preservation projects on currently built property with an existing and expiring affordability deed/covenant restriction or operating subsidy or a market-rate project, to provide affordable housing, with the goal of upgrading the housing quality for existing affordable housing and commitment to an extended affordability period.	5
SECTION 3 Total maximum points available		***16***
SECTION 4: Experience		
Design Team Experience	Highest Points: Design team with extensive (10+ years) experience in green design and construction.	3

General Contractor Capacity and Experience	Highest Points: Selected general contractor demonstrates exemplary track record in projects of similar size, scale, type, and complexity to the proposed project to have delivered similar projects on time, on budget, and to the highest quality standards, while maintaining compliance with applicable industry and environmental regulations.	3
Developer Experience	Highest Points: The applicant submitted documentation of experience as a developer of affordable housing, to include taking projects through a community process and obtaining approvals; receiving Low Income Housing Tax Credits; inclusion on the VHDA experienced developer list; closing on debt and equity financing; history of repayment and obtaining building permits.	5
Project Completion	Highest Points: Proven track record of completing affordable housing projects on budget and on schedule.	3
Property Management	Highest Points: Selected management agent demonstrates successful track record in projects of similar size, scale, type, and complexity to the project proposed, including demonstrated ability to maintain ongoing compliance over the life of a project. Applicant has submitted documentation of proven property management experience, well-maintained, violation-free properties, compliance with occupancy requirements and overall tenant satisfaction in properties managed by the proposed manager.	3
Architect and/or Construction Manager	Highest Points: Selected architect and selected construction manager demonstrates a successful track record in project of similar size, scale, type and complexity to the proposed project and has experience to	3

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	ensure that proposed design is compliant with all applicable regulations, including environmental, accessibility standards, zoning, and historic preservation. Architect and/or Construction Manager have capacity/experience to provide project oversight to guarantee delivery on time, on budget, and to the highest quality standards.	
Experience Partnering with Service Providers	Highest Points: 1) Tier One: The applicant submitted documentation of previous partnering with social service providers and of having provided excellent management and support services to special needs populations 2) Tier Two: The applicant has provided a detailed plan for managing and delivering support services to special needs populations	3
Fiscal and Organizational Health and Team Capacity	Highest Points: The applicant is fiscally and organizationally sound, as evidenced by the financial statements. The applicant has the financial and workload capacity to make the project a top priority, execute it as scheduled in terms of time and budget, and based on the information provided, it is reasonable to assume that the applicant will be able to develop and manage the project as proposed.	3
SECTION 4 Total maximum points available		***26***
	SECTION 5: Budget and Leverage	
Sources of Funds	Highest Points: The project financing plan is sound, reasonable, and includes competitive sources. The applicant has submitted firm financial commitments for other sources of financing, shown the financing gap of the project, and demonstrated consistency with accepted underwriting standards. The project	5

	proposes to utilize public and private partnerships and utilizes state and federal housing programs to assist in fulfilling unmet housing needs and the financing gap.	
Uses of Funds	Highest Points: The project budget is clear, accurate, thorough, and contains a realistic set of sources and uses; acquisition costs are at or below appraised value; construction costs are supported by contractor estimates and at or below local industry standard for projects of similar size, type and complexity located in the proposed location or close proximity, and fees and soft costs are reasonable and at or below local industry standard. Applicant presents evidence of maximizing resources to minimize construction costs as possible and within compliance with industry standards.	5
Leverage and Subsidy	Highest Points: The applicant has submitted documentation of a leverage ratio of 1:3 (Fund's sources to other sources) or higher.	3
Developer Participation	Highest Points: Developer contribution equals at least 10% of the Housing Loan Fund request. 50% may come from a seller note.	3
Income	Highest Points: Income projections are reasonable and consistent with rents for targeted households; vacancy rates and other income are reasonable.	3
Operating Costs	Highest Points: Operating costs are consistent with those documented for other recent local similar developments.	3
SECTION 5 Total maximum points available		***22***

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OVERALL SCORE TOTAL MAXIMUM POINTS AVAILABLE	**133**

Loan applicant should submit with its loan application, any additional materials, not previously listed, that provide support of the applicant's plan for any of the point scoring categories.